

IRAQ'S OIL

The People's Struggle Against Oil Companies' Covets

MUHSEN AL-MOSAWI

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INDEX

Chapter One	3
Chapter Two	23
Chapter Three	51
Chapter Four	61
Chapter Five	81
Chapter Six	103
Chapter Seven	117
Appendix	161

CHAPTER ONE

- **Foreword: Concessions as an Aspect of Imperialism.**
- **Imperialist Powers Struggle for Iraq's Oil.**
- **Turkish Petroleum Company, Background and Events.**
- **World War I British Occupation of Iraq.**
- **Social Situation in Iraq during the Second Half of Nineteenth Century: A Survey.**

A historical review of the "Concession System" under which Iraq Petroleum Company (I.P.C.) and those other Companies which preceded or collaborated with it had been exploiting oil resources would suffice to illustrate the image of the huge blackmail suffered by the people of Iraq, and the other peoples whose resources were maintained in the grip of foreign companies.

However, this image would only be complemented by considering the nationwide sanctions which had recorded heroic and marvellous feats in the life of the Iraqi people.

In fact, the concessions and agreements concluded between the companies and those governments, which had mostly constituted tools to foster the companies interests, had basically brought about a situation of "blackmail", whereas the series of amendments or emerging conditions, e.g. new investment allocations,

only lent evidence to manoeuvres and hectic endeavour to attain broader domination by the foreign companies on the people's resources. This fact was deeply instilled in Mr. Wayne A. Leeman's mind as he said, "The bitterness, the distrust and the fear of the oil companies —hatred is scarcely too strong a word — among the younger, educated Arabs and Iranians have to be experienced by direct contact to be believed".¹

The Arab and Iranian peoples adopt such attitudes towards the oil companies, because the latter have always represented the most vicious forms of imperialist monopolies in their relentless bids to secure ever-increasing profits, for which end they have had recourse to various means and techniques to render the oil-producing nations incapable of attaining political and economic liberation.

The concession-seeking system has, in fact, developed along parallel lines with the development of neo-colonialism in the imperialist era, as financial investments which secure extremely high profits have now become an aspect of 20th Century imperialism. The concession systems brought forth by the companies separately —as had the case been in the beginning — or collectively, afterwards, have been influenced by the nature of developments in the imperialist system, and have, thus,

(1) Leeman Wayne A., *The Prince of Middle East Oil*, New York 1962, p. 243.

been tantamount to the imperialist ambitious bids to dominate the resources of Asia, Africa and Latin America, with their peoples being kept under the conditions of horrible underdevelopment, fatal despair, consumptive disease and distressing poverty. Such bitter situation which the U.S. and other Western companies resolved to dedicate was, in fact, vividly expressed by the English critic George Orwell in his reply to Rodyard Kelling, the imperialist poet who had pleaded that "the peoples sighed for the return of the British Soldier!" The critic strongly refuted the poet's argument, and emphasized that "the people did not only reject the comeback of the British soldier or any other 'emissary' of the imperialist interests, but were also prepared to deal a severe punishment to intruders and aggressors". He stressed the fact that the "prosperity" ruminated by the authorities of the West was to camouflage the robbery of other people's resources.

The writers fed by the "oil companies" might well mislead the international public opinion by alleging that the companies adopted pure commercial principles and had nothing to do with political development. However, such claims are in no way tolerable even by the most naive people, not only because the companies' concessions had been the fruit of efforts exerted by the imperialist powers, but also because the events and developments which have taken place throughout the

history of the companies' operations in any territory have confirmed the companies' identity as a main facade of world imperialism, seeking further gain by every possible means, regardless to the viciousness, malice and aggressiveness they may involve.

The history of Iraq Petroleum Company is more indicative of the avaricious plunder particularly embarked upon by oil monopolies.

After the imperialist powers had managed to dominate the "sources of wealth" in the East, Germany proceeded towards the Near East with a view to controlling the "oil fountains" which looked highly attractive ever since the German expert exploration team set out to search for oil in 1871. The team submitted a highly optimistic report on the results of their exploration tour, to which Longreg referred in his book "Middle East Oil". The German Kaiser who had satisfactorily anticipated such a positive result was looking forward with gluttonous greed to Iraq, then under Ottoman reign. He planned for "cooperation" with the Turkish Sultan which would supposedly help "hunt" the oil-rich areas in Iraq. The Kaiser visited Turkey twice, in 1888 and 1898, and had, throughout, been dreaming of extending his control over Iraq which was described as a "real lake of petroleum". In fact, such an aim which had imposed itself on the Kaiser practically induced him to have recourse to every means to

build a "bridge of friendliness" with the Sultanate; his visit in 1898 had resulted in the initial gain, as the German Kaiserate proceeded from a solid standpoint to put forward a draft Baghdad railway agreement, hence the March-1903 Agreement which provided for awarding Anatole Railway Company the Berlin-Baghdad Railway line Construction, to be extended to Bombay. Of course, the German Kaiser's aim had not been to provide transport facilities with a view to developing certain areas, but it had, rather, been to consolidate German influence along the railway line. Thus, the first Petroleum Exploitation Concession in Iraq and the Ottoman Empire was awarded to Germany, as the March-1903 Agreement, basically concerned with the railway line, included a provision for the exploitation of mineral resources, including oil, within a 20-kilometre wide area on both sides of the line.

In July 1904, the Anatole Railway Company acquired the "right of Petroleum Exploration in Mosul and Baghdad Willayat (states), under a Decree from the Ottoman Sultan Abdul Hameed, released by Salim Pasha, Minister of Minerals, Agriculture and Forestry. The "exploration right" — awarded by the Ottoman Sultan rather than the people of Iraq — envisaged awarding the company an exploitation concession that in the case of oil discovery would extend over forty years.

Thus, by the acquisition of the "exploration right", Germany won the first round in the interest struggle" which had been going on with a view to plundering Iraq's resources. A big geologist expert team arrived in Iraq and immediately commenced with their prospecting activities in search for oil. However, the company failed to carry on with its exploration operations, and the concession was abrogated. In 1907, the concession was re-awarded, then abrogated once again.

In fact, Germany was not alone in the field of seeking the Sultan's friendship and unity, with a view to attaining the "oil lake", for there also were the Shell-Royal Dutch Company (comprising British Shell and Dutch Royal), and the Anglo-Persian Company, which followed similar techniques. Moreover, Admiral Chester was acting on behalf of the American oil merchants who greedily looked forward to control the sources of oil supply, despite the availability of considerably large oil deposits in the U.S. No doubt, this anecdote can well shed light on the fact that the search for oil had not implied the satisfaction of a desire to secure ample supply of fuel from the sources of oil extraction, but the realization of ever-increasing profits; the companies' expert reports had always emphasized the growing significance of oil as a major source of energy, and such significance was bound to gather momentum by grow-

ing progress and development of the new cultural potentialities.

Admiral Chester tried to camouflage his bid to foster U.S. interests which he represented and which played an open and extensive role in attempting to take part in the "robbery feast"; he arrived dressed-up in a missionary cloak hiding upsleeve the gluttonous longings of the American oil merchants, to negotiate the Ottoman Government on what he termed the "losses" sustained by the U.S. missionaries in Turkey as a result of the Armenian massacres of 1896. The custody which Chester vested in himself to interfere in matters beyond his competence should in no way be overlooked or belittled, for had it been so, the second and major part of his negotiations would have not concerned oil. He only left Turkey after he had notified the Ottoman Sultan of the desires of those who had delegated him, and acquired pledges for the construction of railway lines and ports, and exploitation of oil. No doubt the gap between his "missionary" assignment and the consequent pledges had been as great as ever.

Also in 1908, the Turkish Revolution which dethroned Sultan Abdul Hameed actually brought about a different situation from that before it; the competitors who had been sighing to acquire Iraq's petroleum positions had now had to have their concessions, previously concluded under Sultan Abdul Hameed's reign, approved by the regime. Obviously, Britain

failed to move swiftly to establish links with the new regime, whereas the change resulted in the recession of German influence.

At this point, it is noteworthy to point out that the imperialist efforts reflected a sort of "uniformity" in the parties' attitudes, although the dominant factors still involved a considerable lopsidedness, with the trend having emerged towards bringing about an "international partnership" to dominate the oil resources in northern Iraq. These efforts were, in fact, the reason for protracted negotiations between the British, German and Ottoman Governments, before the outbreak of World War I.²

Those accords were reflected in the formation by the three competitors of the Turkish Petroleum Company, in 1902 with a capital of £ 80,000, at the initiative of Sir Ernest Castle, Director of British Bank, with the shares being distributed in the following manner:

- 50 per cent for the National Turkish Bank (a British Establishment shared by Gulbenkian).

(2) Professor Abdul Latif Al-Shawaf in an article entitled 'Nationalization of I.P.C. Operations. Implications and Obligations, Akhbar Daily of Beirut Sept. 9, 1972.

A.L. Shawaf, Professor of Economics, University of Baghdad, a notable advisor on oil who contributed to the promulgation of Law No. 80 of 1961, and wrote a number of articles on Iraq's oil.

- 25 per cent for the German Bank.
- 25 per cent for the Anglo-Saxon Company (an associate of Royal Dutch-Shell Company).

As illustrated by the share-holding system of the TPC, the U.S. interest, had had no portfolio; this was so while the British Government had been devoting considerable attention to oil, with a view to controlling its exploitation areas in Iraq and elsewhere, especially as Britain had been in full military control of the area in protection of British colonial interests. In March, 1913 the Royal committee submitted a report envisaging a change over from the use of coal to the use of oil as fuel for the British Fleet. On January 17, 1913 Winston Churchill — the then Secretary of Navy — declared before the House of Commons:

“Our ultimate aim is that the Navy should possess and produce the fuel oil it needs. We must possess, or at least control, the part of oil resources we require, in the production areas”.

This, no doubt, implied that Britain had been trying, right from the beginning, to shake the influence of German and other partners of the TPC, with a view to securing an upper hand for the British interests, significantly enough through the acquisition of larger concessions. The Anglo-German schemes envisaged the liquidation of Turkish competition, and the negotiations held, at the initiative of the British Foreign Office, between TPC

partners on March 19, 1914 resulted in the conclusion of an agreement, named after the Foreign Office, which provided for doubling the TPC capital, with 50 per cent obtained by the Anglo-Persian Petroleum Company, 25 per cent the German Bank and 25 per cent Shell Company, provided that Gulbenkian's³ 5 per cent share be equally contributed by the Anglo-Persian and Shell.

The Foreign Office Agreement bound the "signatories not to embark on unilateral exploitation of oil resources in Iraq and the Ottoman Empire". This actually gave rise to the principle of self-denial of the right to any unilateral utilization, hence

" The three groups participating in the TPC shall undertake, by themselves and on behalf of the associated companies, to refrain from any direct or indirect link with the production or processing of crude oil in the Ottoman Empire, in Europe and Asia, except through the Turkish Petroleum Company".

(3) Gulbenkian, Calouste Sarkis, of Armenian origin, born in Talas, Anatole, studied and graduated in Kings College, London, He was appointed at the Turkish Ministry of Finance, then financial advisor of distinguished influence. In 1890 he submitted a personal report to Sultan Abdul Hamead on the presence of huge quantities of oil in Iraq. The Sultan immediately transformed the Mosul and Baghdad estates into personal property.

Naturally, the German and British activities did not end-up at a specific limit, for they virtually envisaged the acquisition of Iraq's oil. The German and British Ambassadors submitted two memoranda to the Ottoman Monarch asking for a concession under which the TPC would undertake oil exploitation operations in the estates of Mosul and Baghdad. The Monarch agreed on, June 28, 1914, and vested in the Turkish Ministry of Finance the right to define its share and specify the general terms of relevant agreement.

The Sultan's decree read:

"... The Ministry of Finance, having deserved the special Royal care, has taken into consideration the oil discovered or to be discovered in the Mosul and Baghdad Willayat (estates), and agrees to award the relevant contract to TPC, but maintains the right to decide thereafter upon its participation in the project and also the right to draw-up the general terms of the agreement to be concluded thereupon".

On August 4, 1914 World War I broke out and Britain secured her leap to dominate the ex-German interests. The Foreigners' Affairs Comptroller in Britain took over the German Bank's share in the Turkish Petroleum Company which was, then, totally subjected to British administration. As Iraq represented the huge bet, Britain which emerged victorious from the war hastened to occupy it. esta-

blish a local government therein and define its borders, with strict emphasis on isolating it from the Arab states and emirates in the Sham (Syria), Arab Peninsula and Arabian Gulf.

The agreement which took the form of a reply message from the Turkish Sultan Sa'eed Hilmi Pasha, constituted the "concession" sponsored by Britain as a legal basis for her interest activities in Iraq, although it lacked the simplest legal consistences, simply because it was only released by a colonizing authority in total isolation from the Iraqi people's opinion. Moreover, the Turkish Sultan and the companies endeavoured to keep the deal beyond the reach of the Iraqi public.

Although Britain represented the occupation force in Iraq and the authority which appointed "local governments" with a view to:

- 1 — providing an official facade for British manoeuvres without provoking Iraq's public opinion;
- 2 — avoiding direct friction with the people of Iraq, for the "local government" could undertake the obligation of doing away with the national anti-British sentiments;

Britain still had to confront opposition from within the ranks of the said government which comprised, inter alia, such elements as would detect the British trick for the acquisition of Iraq's oil. Notwithstanding the curtain of secrecy drawn by Britain over her oil schemes, she

actually came to realize that the Iraqi intelligentsia had been aware of the implicit undertakings she had been involved in; the British occupation authorities, thus, resorted to various means of threat and intimidation to impose the British schemes on the Iraqi people, hence:

1. the warning to annex Mosul Willayat (Governorate) to Turkey;
2. the exercise of various forms of pressures and manoeuvres.

To force each newly-appointed government to recognize the "concession" which had proved to be legally invalid, the British Government induced the Government of Yassin Al-Hashimi to ratify the concession. The ratification, however, was only effected after a political crisis involving the resignation of two Iraqi ministers in protest against the British scheme, with the public opinion in Iraq enraged to a peak.

In retrospect, the nature of British conduct which virtually envisaged the control over Iraq's oilfields could well be detected in the fact that Chester who had applied for an oil exploration concession in 1908 did not give up, although the Turkish revolution posed a handicap; for in 1909, Chester tried, again, to submit a more comprehensive "request", so as to guarantee a gain in one respect if others proved to be of no avail, and "each step would lead to another". His new request involved a railway line construction project; however, the prevailing conditions

at the time were rather impermissible as imperialist interests had dwelt upon a ferocious struggle, and the Ottoman Empire was on the verge of collapse, hence the outbreak of the Ottoman-Italian war followed by the Balkan war and ultimately World War I. While the Global war resulted in the defeat of Germany and the British take-over of German shares in the Turkish Petroleum Company, Britain was seriously preoccupied by a scheme for the elimination of Ottoman interests too; she expedited the development of the situation in that direction, with the "smell of oil" filling the nostrils of the British War Secretary and his "entourage".

In fact, while the World War I was still in store, the Lingovski Agreement of January 14, 1914 failed to settle the outstanding "interest" disputes between Turkey and Britain, for although the two parties had agreed to place southern Iraq and the greater part of Iran under British influence, provided that the two parties "cooperate" in the exploitation of Mosul and Baghdad oil, Britain perceived the possibility of dominating the German and Turkish interests. The conflict between imperialist interests had reached a peak when war broke out between Turkey and Britain more than one year after the outbreak of World War I, specifically on November 5, 1915. No doubt, the parties interested in the war were far from being the peoples of Britain and Turkey; the colonial interests of both regimes had, in

fact, been the bet for which huge armies warred to enrich the "big" capitalists. The fortune rich territories were, thus, turned into battlefields suffering from the yokes of panic, genocide and ruin, without being able, to the throttling conditions of underdevelopment and poverty, to raise a voice of protest.

To provide a more elaborate image of the situation, it should be mentioned that the closing years of the 19th Century witnessed the development of European and American capitalism into imperialism, whereas Turkey was still on the threshold of transformation into the capitalist system, thus turning into a market for the disposal of imported commodities, Turkey's pledges to grant concessions for the construction of railway lines, establishment of foreign banks and inflow of foreign capital had, in fact, been tantamount to letting Turkey change into a semi-colony for European capitalism. The Ottoman Sultan had been granting foreign capital agents various forms of facility, and the Oriental War (1853-1856) marked the beginning of Turkey's submission to financial slavery, as she was granted high-interest-bearing loans of which she utilized 56.8 per cent only. The interest charged by French and British banks exceeded 2 billion French Francs.

The Ottoman Bank (a British bank which in 1867 became a partnership between British and French banking institutions) played an effective part in subduing

Turkish colonies to foreign capital which had, right from the beginning, been planning to extend its domination over Iraq.

Ever since 1805, Napoleon had seriously been considering the domination of Iraq to secure the transit of French forces via her territories. Hafidh Ali Pasha tried to facilitate Napoleon's mission, but the British who had kept an alert eye on Iraq assassinated him. The East Indian Company also played a considerable part in the service of British strategy to control Iraq, which had, throughout that period been suffering from epidemic diseases and economic destruction, with the peasant uprisings being subjected to ruthless suppression and persecution. The interest conflict did not relax throughout that period, with each of the imperialist powers having tried to secure an upper hand, relying thus on the "fabrications" of her experts, Britain looked forward to controlling Iraq because it constituted a route to India, an oil "depot" and a market for her manufactures.

"British capital occupied a dominating position in Iraq - the country which became a market for the disposal of British goods and a source for the supply of agricultural crops".⁴

In the meantime Germany's bid had been provoked by the statement of Paul Roberbak, a Senior German imperialist scientist:

(4) Ibid., p. 390.

“Germany’s future in the east lies in Asia Minor, Syria, Mesopotamea and Palestine. A fountain, among the richest in the world, is situated near Nineveh, en route Baghdad-Berlin railway line, while the plain of Babylon can be the greatest supplier of grains and cotton in the world. In Mesopotamea there exist meadows sufficient to feed millions of sheep and cattle, and we have, at our disposal, the major part of our requirements of raw materials which are, significantly enough, intensive in one area”.

Although Iraq suffered from a horrible social backwardness, the opposition sentiments assumed various forms. Lotski, in his book “History of the Arab Countries”⁵ writes:

“Foreign capital penetration and the strict police system have given rise to extensive dissatisfaction among the masses of the Arab people in the Ottoman Empire who suffered a dual oppression: under the persecution of foreign capitalists and oppression of Turkish Pashas”.

Reactions in Iraq began to emerge early in the 19th century, and became obvious during the period 1913, 1914, when the

(5) Lotski: History of the Arab Countries. Progress Publishing House, Moscow, 1971-P.395.

Turkish authorities resolved to sell out "Miri" land to foreigners, and the peasantry refused to pay taxes. The metropolitan areas in Iraq were witnessing a growing awareness by the Iraqi public of the real danger to the resources of Iraq.

CHAPTER TWO

- × **Sykes-Picot Agreement: Scheme to Fragment Arab Homeland and Divide Arab Resources.**
- × **Nature of British Policy in Iraq: Terrorism and Maneuvering.**
- × **San Remo Agreement and Nature of Imperialist Relations.**
- × **Anglo-American Conflict Reveals illegitimacy of Concessions.**
- × **Attitude of Fair British Circles to Military Occupation of Iraq.**

The most obvious aspect of imperialism was represented in the secret negotiations held by the imperialist powers to divide the Arab countries into zones of influence, as such negotiations reflected the real imperialist intentions in the Arab area. Britain's role at the time was the most cunning, for it did not only imply misleading the Arab revolutionaries who had been looking forward to liberating the Arab homeland from Ottoman domination, but also implied the feasibility of exploiting Arab "blood" and energy, in the most vicious manner to foster Britain's imperialist interests. While the Arabs were fighting with full determination to bring about the conditions for liberating the Arab land from the Turks, Britain and other imperialist powers were conducting the "partition negotiations". As a result, Britain "conceded" to give France "the areas to the west of Aleppo, Hamah, Homs, Damascus line", to constitute a French colony, thus turning Eastern Syria into a French zone of influence. Britain and France insistently rejected a proposal by

the Russian Czar Sazochev that six independent states, including four Arab, be placed under Jamal Pasha reign (supposed to have severed relations with the Turkish Sultan). The Russian scheme, thus, failed. In March 1916, a joint Anglo-French activity was evident. Sykes, on behalf of England, and Picot on behalf of France, arrived in Petersburg to draw-up the provisions of Sykes-Picot Agreement.

Under the Agreement the imperialist powers divided the Arab homeland into zones of influence, with France having dominated Western Syria, the Lebanon and the south-eastern part of Anatole (named after the "Blue Area"), while Britain dominated South and Central Iraq and the two Palestinian parts of Haifa and Acre (named after the "Red Area"). The remaining part of Palestine was placed under international administration. Within the French zone of influence, Eastern Syria and Mosul were included, whereas Trans Jordan and Northern Baghdad were included in the British zones of influence.⁶

Lotski, the writer, explains the British conduct to permit non-Britons to "possess" areas of covetous attraction to British capitalists, as being consistent with the diplomatic rule of "Give whatever promises, for the situation would

(6) "Iraq's oil: from Concession Award to Nationalization" — Full Details on Sykes-Picot Agreement, Ministry of Information, 1972.

change later on". In fact, the British behaviour throughout the subsequent period could well fit in this trend.

The seriousness of Sykes-Picot Agreement lied in the fact that it represented the most extensive political-economic scheme to divide the Arab homeland and prepare for the colonial occupation and mass immigration of Zionists, and also pose hinderances against the realization of Arab unity. Within premeditated political guidelines the scheme involved the distribution of Arab oil resources.

"The agreement automatically applied to the oil interests in the area, specifically the Mosul oil which incited the fright of British shareholders in the Turkish Petroleum Company, as France tried to utilize her rights in the Agreement to dominate Mosul oil. Thus, Lloyd George, then Britain's Prime Minister, resolved to introduce two significant amendments to the agreement".⁷

To elaborate the nature of political and military schemes to place Iraq under total domination, mention should be made of the British technique to control Iraq's oil, and the ensuing concession system termed by the Foreign oil companies as "Fair Legal Commitments".

(7) Ibid, P. 20.

The British army started its occupation of Iraq as from December, 1916, by launching infantry and naval offensives; the British army over-ran the Turkish military barricades and moved northwards after conquering the Turkish forces.

In February, 1917 it captured Kut and Omara, and on March 11, 1917, the British troops broke into Baghdad, thence they resumed their attacks to occupy Ramadi, on September 28, and Tikrit on November 6.

"Iraq's occupation, in fact, lent solid proof to the fact that the British imperialists by means of the pseudo slogans of liberating the Arab countries from the Turkish yoke, had only been camouflaging the policy of colonial occupation".⁸

The British colonial policy was, thus, characterized by:

1. Confining absolute power to the British military and civilian commands.
2. Entrusting internal administration to Persey Cox and, after him, spy Arnold Wilson.
3. Taking the necessary measures to turn Iraq into an "Indo-British region".
4. The occupation authorities induced the landowners, bourgeois compradores and tribal chieftains, to whom they conferred titles, posts and grants. The opposition, thus only com-

(8) Ibid P. 463

prised a few feudalists, and the British authorities resolved to subdue them by despatching suppressive forces which fought ruthless battles against the beduins".⁹

In fact, it was never out of the place that Britain should "calculate every step" and take the measures she deemed appropriate for her interests under the agreements. Britain, thus, openly declared her covets for Iraq's oil, while Picot had been urging France to despatch French military forces, "lest the English should devour everything". Meanwhile, the Americans pleaded, through Mr. Tiegel, chief of Standard Oil of New Jersey, that "British domination was in no way less dangerous to the Jersey Company's operations than Germany winning the war".

British planning reflected a high standard political-economic coordination; Britain had, in fact, been preparing for undermining Arab unity, on the grounds that "unity" would bring about strong confrontation in the future and provide conditions for an integrated and concerted economic development of Arab resources, reverting, in the future, to the ultimate end of economic and political domination of the oil companies.

"Following a policy which is very nearly one of divide and rule, the west, perhaps Britain specially, inclines towa-

(9) Ibid P. 464.

reds a military defence of the independence (i.e. partition) of the oil-producing states. The movement for Arab unity is believed to threaten western oil supplies, and it is thought by many that the oil producing countries must be kept out of a united Arab nation, by force if necessary".¹⁰

The vicious imperialist face gazed with gluttonous eyes upon the Arab homeland to plunder its natural resources, after its military instruments had carried out the fragmentation and partition schemes.

The Sykes-Picot treaty which had thrusted Mosul into "French domination" — as previously pointed out — became a source of concern for the British who feared French suzerainty over Mosul petroleum. The French Ambassador to Britain had taken note of the British awe when he addressed a letter to the British authorities that:

"British troops in Mosul area will not be affected by the Treaty".

However, France expressed the desire to take over Germany's share, as the latter had been their "common enemy". This was subject of discussion between Clemenceau (on his visit to Britain in 1919) and Lloyd George, then Britain's Prime Minister. The "preys" were divided anew, for against the British support to France's claim on the Ruhr, France conceded con-

(10) Leeman, Wayne A.P. 235.

tain border areas in Palestine and agreed to Mosul annexation to the British-controlled territory, the French received a pledge to acquire a share in Mosul Petroleum.

The two parties concluded the Long-Ponger Agreement (named after Walter Long, the British Petroleum Secretary, and Henri Ponger the French Petroleum Products General Counsellor).

Under the agreement concluded on April 8, 1919, Britain's share of Iraq's oil was defined at 70 per cent, France's 20 per cent and the Iraqi Government 10 per cent.

Although the above illustration can well be self-explaining, the review of figures alone would not adequately elaborate the imperialist policy, the "concessions" and "agreements" it involved, which virtually overlooked the vital interests of the producing country and largely contributed to its impoverishment and underdevelopment for good.

Besides, the said Anglo-French agreement could never be "authentic" for no other reason than the "interest conflict" between the two powers. Clemenceau rejected Britain's desire to extend the railway lines and pipelines via Iraqi territory to the Mediterranean en route Syria (then under French mandate according to Sykes-Picot Agreement).

On December 29, 1919, a new agreement was concluded between the two parties, which stipulated that France be entitled to 25 per cent of the Turkish Petroleum Company's stock against her concession of:

“The construction of two separate petroleum pipeline and the necessary railway line required for the construction and maintenance of Iraqi and Iranian petroleum pipelines”.

In April 1920, the San-Remo Agreement was concluded, according to which the Turkish Petroleum Company's stocks were shared on the basis of:

50 per cent for the Anglo-Persian Company,

25 per cent for the Royal Dutch-Shell Co.,

and 25 per cent for France.

Britain's share in the TPC, thus became 75 per cent, on the ground that Shell Company was virtually under British control.

In article 5, on Iraq, the San-Remo Agreement of April 26, 1920, provided that:

“The British Government undertake to grant France, and whoever shall represent her, 25 per cent, at market current prices, of total crude oil output secured by His Majesty's Government from Iraq's oilfields.”

The U.S., notwithstanding the huge reserves she commanded, considered Britain's domination over Iraq's oil more dangerous than Germany winning the war. With all the power at her disposal, the U.S., therefore, endeavoured to acquire whatever share, thus making the largest possible use of her growing military and political potentialities and her expanding overseas influence, with the aim of extending her control over to the Arab world.

The memorandum addressed by the U.S. Ambassador in London to the British Foreign Office on July 20, 1920, pointed out that:

"This concession is invalid, illegitimate and legally groundless".

The memorandum denounced San-Remo Agreement as disqualifying and inconsistent. The correspondence between the U.S. and British Foreign Ministries, in fact, uncovered the "big robbery" under the "concessions". While Britain considered the TPC concession of 1914 her legal pretext to claim her "rights" to Iraq's oil, the U.S. was intensively criticising the concession and subsequent agreements, as null and void, not with a view to fostering Iraq's interests, but to securing her monopolist covets. Should the conflicts and explanatory memoranda serve the purpose of refuting the alleged legal grounds of all the conventions and concessions concluded between the imperialist

powers, they had also exposed the collusion of these powers to embark on a collective plunder of Iraq's oil resources, to evade their respective interests any potential risk.

Meanwhile, Britain, considerably annoyed by the U.S. pressure to attain a zone of influence in Iraq, reacted through a foreign office spokesman that:

"The statesmen in Washington have started thinking, speaking and writing as if they were employees with Standard Oil Company."

In fact, the same description would apply to the British Government in terms of her relations with the Bank of England and Iraq Petroleum Company.

The U.S. pressures persisted, and the U.S. Secretary of Commerce Herbert Hoover called upon the representatives of the Big Seven American companies to acquire Iraq's oil. The U.S. Ambassador's memorandum of November 17, 1921, in consequence to Hoover's appeal, openly declared the U.S. denial of the legality of the Turkish Petroleum Company's concession.

The trick on Iraq's oil had, no doubt, been extraordinary, and the imperialist "parties" were, in fact, engaged in a cunning "give-and-take" business, each of which trying to snatch the opportunity to "fall upon the prey". As Britain did when she sought the opportunity to attack the "sick man", so did the U.S. in seeking Iraq's oil.

Meanwhile, Iraq, following the year 1914, had been witnessing the awakening of political consciousness, which became evident in the peasant uprising (1913-1914) and the other forms of opposition. Following the British occupation the general public perceived the trick and grew more aware of Britain's real intentions.

On her part, Britain exerted considerable efforts to create a privileged class in Iraq to foster British interests; thus, the tribal, long-lease and farmers rights and obligations system emerged, and the positions of certain privileged personalities were confirmed, hence the emergence of a semi feudalist — semi imperialist system which dedicated the prevailing exploitation conditions, whereas oil proceeds remained subject to Britain's alerted opportunism.

Meanwhile, the 1920 Revolution which overwhelmed most Iraqi towns as a nationwide popular revolution, combining between organisation and spontaneity simultaneously, thus offering new criteria, contributed effectively to enhancing political development in Iraq, for:

1. It marked the transformation of sentimental rejection of the British occupation into real and organised struggle.
2. It helped polarize organized revolutionary focal points to guide prospective political organization.
3. It confirmed the capability of peasant-

ts, craftsmen and students to confront the occupation forces confidently, especially as certain parts of Iraq witnessed the defeat and retreat of British occupation forces.

3. In fact, Wilson, a British Colonel, drew up a plan for British military withdrawal from Iraq. However, the British Government followed Sir Percy Cox's advice to set-up a puppet "national" Government in Iraq, which would foster British interests and suppress Iraq's public opinion.

In the meantime, the U.S. which represented a new imperialist power in the area, resolved to practise different techniques from those of Britain; she embarked upon various forms of "recreation" devices, e.g. grants, ideological warfare and creation of U.S.-oriented social groups.

On such occasions, systematic co-ordination is resorted to by the imperialist powers, in proportion to the "potentialities" enjoyed by each; Britain which had perceived the growing influence of the U.S. resolved to appease U.S. concerns by granting them shares in the Turkish Petroleum Company. Britain had actually been haunted by the fact that Standard Oil of New Jersey had succeeded in wresting an oil exploitation concession from Britain on November 22, 1921.

The U.S. stand practically relied on almost exclusively everything, beginning with open pressures through the tricks

devised by Chester. As the "imperialist disputes" stemmed from the distribution of resources, each power utilized all the pressures at her disposal to secure a "share in the prey" which Britain had endeavoured to monopolize by conferring on her pressures the guise of "legitimate claim". The U.S. attitude depended on the "open-door" policy summed up as follows:

1. Subjects of all nations should be treated on equal footing before the law, in areas covered by the mandate.
2. Economic privileges granted in the mandate areas should not be so extensive as to involve a certain group rather than others.
3. Monopolist concessions should not be granted in respect of any material.

The U.S. claim confirmed the "denial of legality for any concession other than those granted by a Government to be elected by the people of Iraq". In fact, the above U.S. argument, though attractively fascinating did not concern the Iraqi people's interest in as much as it constituted the essence of a new scheme drawn-up by the U.S. companies to reach for Iraq's oil. While this argument implied the illegality of the TPC concession, it also implied that a plan had been rapidly perfected to penetrate into the new "English-made" Government. Moreover, the U.S. claim was rather tactical in the first place, to frighten Britain which considerably awed legal elections.

What concerned the public opinion in Iraq of the Anglo-American conflict was that it exposed the invalidity and illegitimacy of all imperialist concessions; for under U.S. pressure, the Anglo-American concerns agreed to define TPC concession areas and place the other parts for public auction, with TPC excluded.

With the full weight of her "glory", Britain endeavoured to maintain her grip of the "prey"; she resolved to utilize every necessary pressure to impose her will on the Government of Iraq. The U.S. concerns, meanwhile, gazed with gluttonous greed at Britain's 50 per cent share in the Turkish Petroleum Company, for the proposed share of 22 per cent had fallen far short of **meeting their covets, especially** as its allocation had to involve deduction from other partners' shares.

Britain was intensively taking the necessary measures to emerge "victorious" from these conflicts, relying, thus, on the fact that she possessed the power to manoeuvre within Iraq. Following Lausanne Conference of November 22, 1922, Britain found herself in a position to conclude an "agreement" with the Government of Iraq most of whose members represented British "facades", basically making use of the following series of developments.

Reacting to a bid by the Turkish Petroleum Company to acquire a new concession for the exploitation of Mosul and Baghdad oil resources, the Iraqi Council

of Ministers, headed by Premier Abdul Muhsen Al-Sa'doun, resolved on August 13, 1923 that:

1. The Turkish Petroleum Company's concession be considered illegitimate.
2. The Government of Iraq nominate Sasson Afandi to negotiate, on her behalf, with the applicant company, during his sojourn in London.

However, Britain revived her threat to sever Mosul from Iraq and annex it to Turkey, and unleashed some other implicit threats.

On August 14, 1914, the Iraqi Council of Ministers decided to resume negotiations with the TPC representatives, naturally under persistent British pressures. The League of Nations (then exclusively subdued to the companies will) despatched a fact-finding mission to Mosul to question its inhabitants on the future of the state. In fact, the League mission concerned itself with implementing the "pressure trick" rather than exploring Mosul's public opinion.

"It now appeared obvious that the League of Nations pleaded Mosul's affiliation with Iraq only after the latter conceded the 'right' to TPC to prospect oil deposits therein".

The above fact was disclosed by the Council of Ministers' reply on February 26, 1925, that:

"H.E. the High Commissioner's letter of February 26, 1925 was read to-

gether with the questionnaire by the League of Nations' Border Commission pertaining to oil concession in Baghdad and Mosul, and the Council of Ministers resolved to reply as follows

"We confirm the Government of Iraq's decision despatched per the telegram addressed to the British Colonial Office on August 21, 1923, hence:

"The Government of Iraq, while not recognizing any concession granted to TPC and having taken note of the pledge made by the Turkish Prime Minister, as per his Farman (Decree) of June 28, 1912, to the British Ambassador in Istanbul, is prepared to satisfy such pledge provided that TPC agree to consider conditions of the Government of Iraq satisfactory. The Government of Iraq does not wish to postpone taking decision in regard to the concession, and the only essential outstanding issue is the share-holding question which is currently under review".

Thus, the treaty of 1922, Britain's threat to annex the Mosul estate to Turkey and the pressures of the British agents in Iraq forced the Council of Ministers to have a second thought of its previous resolution and, consequently, issue a new

decision on March 5, 1925, empowering the Minister of Works and Communications to conclude the agreement after a series of justifications, hence:

“The Council of Ministers resumed the consideration of the TPC concession, and after deliberation on the Ministerial Committee report, and the correspondence between the Governments of Iraq and Britain concerning Iraq’s right to participate in the Company’s capital stock, and after perusal of the statements made by the committee delegated by the League of Nations and the questions set by the said committee as to the concession’s legitimacy, for which a decision would be urgently required, and having heard the Prime Minister’s statements on foreign and internal policy conditions, resolved...”

Thus, the agreement concluded on March 14, 1925 was void of Iraq’s “right to participate in the Company’s capital”.

Meanwhile popular dissatisfaction had been gathering momentum almost everywhere in Iraq, and the Ministers of Education and Justice submitted their resignation. In his resignation, Muhammed Ridha Al-Shibibi, Minister of Education said, “I can in no way accept the Petroleum Company’s Agreement which involved — as I believe — injustice to Iraq’s rights.”

The Minister of Justice, Rasheed Ali Al-Gailani, stated in his resignation,

“In fact, two rights are involved: the first one is that of oil exploitation and the second the participation in the company’s capital to the level of 20 per cent. The first right was the Government’s to be recovered against conceding it to the company to utilize Iraq’s oil in the estates of Mosul and Baghdad, as she does in respect to farmers and lessees; the company has, in fact, admitted this right. The second exclusively belonged to the Government or people of Iraq”.

The company used the “bet” on Mosul and ratification of the Iraqi Constituent Law, actually passed three days after the ratification of the Petroleum Agreement, to exercise pressure on the Government of Iraq in that direction.

In the beginning the I.P.C. partners wanted to “buy” the agreement for £ 40 thousand, to be “granted” to the King and his family.

“However, the British felt that would be improper, and thus, ordered the rulers of Iraq to forget about their “grant”. When things turned out to be still too difficult to manage, the rulers were notified that their new Constitution would only be ratified

after the settlement of the Petroleum question".¹¹

According to the same source:

"An Iraqi patriot, by the name of Kamil Al-Chaderchi, who later spent several years of his life in prison, accused the British publicly that they had threatened to hand Mosul over to Turkey if the concession had not been ratified".¹²

The concession was passed in 1925, to cover a period of 75 years and involve all Iraq's territory, except for Basrah. Meanwhile, Jersey and Socconi companies of the U.S. had hardly parted with the "scene", while Tiegel had been trying desperately to secure a share for Standard Oil; however, his telegrams could never escape the "undeground surveillance" of Royal Dutch and Angle, at the Company's New York headquarters.

The 1925 Agreement was, thus "enacted" without reference to the Constituent Assembly or any people's Commission; it was rather passed by the Council of Ministers of which two members had resigned in protest, and against which the people fought.

Laws and conventions have always regarded means of pressure, threat and intimidation as inconsistent with the pro-

(11) Harvey O'Conner: *World Petroleum Crisis*, 1967. Monthly Review, New York, 1962. P. 376

(12) Ibid, P. 376.

per legislative procedures and would, thus, strip any "formula" of any legal character. However, Iraq Petroleum Company (I.P.C. until June 8, 1929) considered its concession legal and legitimate.

In fact, the Oil Agreement of March 14, 1925 involved a set of unfair provisions, of considerably detrimental consequences to the people's rights. It was universally admitted that the imperialist powers had been so prejudiced against Iraq's rights as to dwell upon a gluttonous plunder of its resources and a systematic political pressure to render it totally subdued to the domination of economic and political control of the imperialist system thus denying it the right to real sovereignty and independence.

The Agreement (Convention) involved, inter alia, that:

1. The Government of Iraq shall agree to grant TPC the exclusive right to explore, prospect, drill for, extract "and render suitable for trade petroleum, naphtha, natural gases, ozokerite, and the right to carry away and sell the same and the derivatives thereof.
2. The period of this "Convention" shall be 75 years from the date hereof. At the expiration of the said date the company's properties and installations shall become the property of the Government of Iraq free of charge.

3. The "defined area" for this convention comprised all the territory of Iraq except for Basrah "Wilayet" (Governorate).
4. The company shall, within a period of eight months, commence a detailed geological survey in selected areas.
5. The Company shall within 32 months from the date hereof, select 24 plots of land not exceeding 8 sq. miles in area each, for pilot exploitation, provided that drilling therein be commenced within 3 years, after the expiration of which the company shall drill at a minimum average of 36,000 feet, then 21,000 feet per annum, prior to recommending the Mediterranean pipeline, to be undertaken on the basis of appropriate commercial conditions, at the earliest convenience.
6. The Government of Iraq shall, after the elapse of the 4-year period from the date hereof, and in each following year, choose 24 plots of 8 sq. miles each — excluding the Company's selection — to be offered for competition between companies and individuals without discrimination on grounds of nationality, provided that the Company shall, on behalf of the Government, advertise the same in commercial journals and official gazettes of Governments.
7. The Company shall pay the Govern-

ment of Iraq 4 Shillings gold per ton for a period of 20 years after the completion of oil pipeline to the export terminal, after the expiration of which the Government's share shall be defined on the basis of posted prices in oil markets, to be revised once every ten years, provided that the oil supplies for the company's operations in Iraq be duty-free.

8. The company shall supply Iraq with oil at a special constant price.
9. The Company shall always remain British, registered in Britain and headquartered in British zones of influence. The Company's chairman shall always be a British subject.
10. Iraq shall enjoy the right to appoint a Director to the Company's board who will enjoy equal rights to other Directors."

When petroleum struck from a Babagur well on October 5, 1972 at an average of 90 barrels a day, the Turkish Petroleum Company's shares were redistributed under the Red Line Agreement. The great development had an impressive impact on the monopolists who endeavoured, through intensifying the grip of their plunder and avarice, to deny the people of Iraq the right to self-determination.

In November 1927, France introduced a "map" for the area with the Arab territories previously dominated by the Ottoman Empire being demarcated in red.

This was with a view to "agglomerating" various oil companies in one "cartel", to guarantee full control over these abundant resources and coordinate plans for any future political developments that might envisage liberation from the plunderers' covets.

This naturally implied the abrogation of the "open door" policy formerly proclaimed by the U.S. and commencement of a new era, beginning with July 31, 1928 — the Red-Line Agreement's effective date.

In fact, the Agreement meant the dedication of blackmail, plunder and robbery — the "trio" on which the companies' policy had been based. It bound all the cartel members to coordinate their efforts and policies with utmost secrecy, hence the end of their conflict and competition, with the Turkish Petroleum Company having secured full monopoly of the extraction and disposal of Iraq's oil.

Under the Red-Line Agreement, the T.P.C. stock was re-distributed in the following manner

BP Exploration Company Ltd.	23 $\frac{3}{4}$ per cent.
Shell (Royal Dutch) Co. Ltd.	23 $\frac{3}{4}$ per cent.
Companie Francaise des Petroles	23 $\frac{3}{4}$ per cent.
Near East Development Corporation	

(Standard Oil Company) (New Jersey
and Mobil Oil Corporation)

23 $\frac{3}{4}$ per cent.

Participations and explorations Cor-
poration (Gulbenkian)

5 per cent.

The British avarice had, in fact, gone beyond any reasonable limits; this was substantially intensified after the revelation of the bright prospect of commercial production of Iraqi oil, conceived through Babagurgur "gush".

As Harvey O'Conner puts it:

"...thus, Iraq Petroleum Company secured for itself a "rewarding" beginning, evidenced by the fact that Mr. Gulbenkian's 5 per cent rendered him among the richest in the world", let alone Britain's lion share.

A striking paradoxical picture, thus, emerged in the situation, comparing the Gulbankian, British, American, French and other partners on the one hand and Iraq's poverty and want on the other. The Iraqi millions were, in fact, under miserable conditions of under-development and ignorance.

To avoid the heavy tax burden chargeable on his "fabulous" income, Gulbenkian resolved to establish the Participations and Explorations Corporation of Canada.

No doubt, the British, European and American public opinion might be misled by the I.P.C.'s justifications and pretexts to step up her gluttonous plunder of Iraq's oil resources and cause Iraq such great injustice, especially as the Company assumed the guise of a positive contributor to the development and reconstruction of Iraq.

However, those enlightened Britons are fully aware of the real facts and motives behind the Company's "keenness"! Labourite Arthus Bonsonbi, despisingly refuting the British Government's claims that she had "taken care of Iraq's interests and welfare", both through the massacres of 1913-14, and the nation-wide 1920 Revolution, points out, "I would rather be profoundly surprised, notwithstanding the protests we have been hearing today, not to learn during the next few years of the discovery of oil in Iraq, then to hear claims that this would enhance the welfare of Iraqi people. In fact, I should only mention in regard to the subsequent new obligations we would shoulder that a deep-rooted hypocrisy had always marked our attitudes".

Naturally, the monopolies could not declare their real intentions as they were despatching forces of occupation to Iraq and committing massacres to attain their ends, for they desperately tried to camouflage their huge profits which emanated

from Iraq and other Arab oil.

While the Red Line Agreement curbed competition between I.P.C. partners, for it offered an occasion for the fast monopolist cartel, with concerted action against any oil producing country, it, however, failed to satisfy U.S. covets.¹⁵

(15) Statement of Claim, filed in the High Court of Justice, June 9, 1947, quoted in F.T.C. Report, P. 104.

"The Red-Line Agreement was in restraint of trade, contrary to public and void and unenforceable in law".

CHAPTER THREE

- × **New British Covets in Mosul.**
- × **Reasons for Britain's appointment of Nouri Al-Sa'eed; Popular Struggle against Iraqi-British Treaty**
- × **March 24, 1931 Agreement, and the injustice caused to people's resources.**
- × **Even Gulbenkian Condemns Oil Companies' Conspiracies.**
- × **Iraq Petroleum Company extends a "leg" into Southern Iraq.**

In the aftermath of the Red-Line Agreement, conflict, at a higher pitch than ever before, was setting in, especially as the U.S. companies had not been satisfied with their accomplishments at the level of "business" competition, and had, thus, declined to recognize the restrictions envisaged by the Agreement. On the other hand, the companies which had contracted the March 14, 1925 convention, fascinated by the Babagurgur oil discovery, were looking forward to the expansion of concession areas, to cover the whole territory of Iraq. As Lloyd George, British Prime Minister put it, "Mosul "engulfed" huge potentialities embodied in the oil deposits, whereas Sir Gaoman, president of the Turkish Petroleum Company stated in a report in April 1929:

"I should clearly declare that the major topic I am preoccupied by in connection with the future of the company, is the inadequacy of the area to be ultimately conceded to the

company, bearing in mind the financial obligations involved in the choice of the concession area".

The Company's future, referred to by Sir Gaoman, implied the future of capital and monopolies, while to the people of Iraq it meant a new scheme to "put-up" a new so-called "Iraqi Government", strong enough to guarantee the expansion of the "plunder" area so as to cover the whole territory of Iraq and put an ultimate end to all future attempts to have any other party search for oil in Iraq.

Britain which felt that some of her puppet Governments comprised members who displayed reluctance and objection to such schemes, thought it would be most appropriate to appoint a man in the calibre of Nouri Al-Sa'eed to head the cabinet. This was put into effect on March 23, 1930.

In fact, Al-Sa'eed was the most "capable" British agent to undertake the assignment of rendering Iraq totally "handcuffed" with the fetters of treaties and pacts, as he had been well aware, before hand, of the mission he was brought for. On March 14, 1930 he suspended the parliament, then dissolved it in July the same year.

After forming the Govenant (Ahd) Royal party, which embraced all those on whom the British authorities had conferred titles and positions, Sa'eed resolved to hold parliamentary elections, and against

the people's unanimous boycott his party's candidates won 70 per cent of total the Parliament seats of 88.

The appointment of Nouri Al-Sa'eed soon bore fruit by the conclusion of a new agreement with Britain on the 30th of June, which submerged Iraq into full dependence on Britain and rendered the latter in full control over Iraq's resources.

To secure the success of the subsequent step, he left for London early in July to negotiate with Iraq Petroleum Company matters related to the oil concession. To elaborate the proceedings of Sa'eed crucial assignment, Mr. Paul, I.P.C. Representative, disclosed, "I have had consultations with the Prime Minister and certain cabinet Ministers prior to their departure. They have assured I.P.C. all necessary guarantees, for Iraq actually depended on the Company for the exploitation of oil resources".

Therefore, the British started dictating their orders publicly on Sa'eed's Government, hence the conclusion of yet another agreement on March 24, 1931, which amended the 1925 agreement, so as to reach for total usurpation of Iraq's rights and bring about full I.P.C. domination over its resources under agreements and conventions formulated, enacted and negotiated unilaterally by Britain.

The appointment of Nouri Al-Sa'eed

was the appropriate means to have the treaty and agreement concluded simultaneously, especially as some of Britain's agents failed to reveal such vicious facades before the people who had been blazing with revolutionary enthusiasm.

“During those days, Baghdad witnessed overwhelming demonstrations to hail Iraq's independence”.¹⁶

To intensify his policy of starvation and persecution, following the ratification of the treaty, Sa'eed imposed arbitrary legislations on the people, e.g. municipality tax law etc. In a positive retaliation, Baghdad, Kufa, Ba'quba, Najaf and Kut staged a 14-day strike, in protest against the “welfare” and “prosperity” sought by Britain for the people of Iraq.

The Agreement of March 24, 1931 between Nuri al-Sa'eed and Britain rather “between Britain and herself” provided for:

1. Ridding I.P.C. categorically of all the provisions pertaining to the “open door” policy. Thus, the company's concession area was expanded from 192 sq. miles to the whole region covering the wilayets of Baghdad and Mosul east of the Tigris, i.e. 167 times the original area defined by the 1925

(16) Butti, Faik. *Parties Journalism*, 1969, Baghdad, P. 27.

concession agreement.

2. All provisions and articles related to the lease of land be deleted from the Agreement.
3. The Company be relieved of various drilling obligations, at present and future, thus providing it with absolute option to utilize the concession privileges.

The Agreement was passed despite the presence of a competing company, namely "the British Petroleum Exploitation Company", a joint British-Italian venture which had applied for the exploitation of oil outside the I.P.C. concession area.

Moreover, the competing company had been prepared to construct a Baghdad-Mediterranean railway line, which had been subject to I.P.C. maneuvering, as she had originally suggested to provide for it in the March Agreement of 1931, but declined, later on, to put it into effect.

"Thus, I.P.C. eliminated her competitor for no sacrifice on her part and no profit to Iraq".¹⁷

Iraq Petroleum Company, representing Britain, thus, created all necessary conditions to guarantee for herself exclusive suzerainty over Iraq's oil, by precluding any possibility of real competition.

(17) Allawi, Ibrahim "Iraq Petroleum and National Liberation", Talie'a Publication House, Beirut, P. 175.

The British Petroleum Exploitation Company's concession — concluded beyond the Cartel's monopoly — was, therefore, restricted to Western Tigris, hence the Mosul Petroleum Company's branch. In October, 1938, Basrah Petroleum (an I.P.C. twin) acquired a concession for the exploitation of oil in all the areas not covered by the I.P.C. and M.P.C. concessions, thus it had access to 93 thousand sq. miles for a period of 75 years.

Under the concessions guaranteed by Britain for herself, she embarked on an intensive plunder of Iraq's resources. Harvey O'Conner touched upon I.P.C.'s behaviour vis-a-vis Iraq's legitimate national rights in his statement that:

1. Not a single drop of export-oriented oil had ever been refined in Iraq. The whole export lot was being pumped through the pipelines to the refineries in Lebanon, Syria and Palestine.
2. Iraq was forced aside watching, helplessly, the I.P.C. partners conflict over the Red-line Agreement.
3. The British shareholders were not willing to bring to public such internal differences as the I.P.C. might sustain, and accordingly they tried their best to reach compromises for the interest of the conflicting parties rather than Iraq.

4. Iraq acted as an outsider in respect to the conflict over oil.¹⁸
5. Petroleum refineries were established in the Arabian peninsula, Bahrain and Aden while Iraq only had access to a trivial share of crude sale proceeds, without enjoying the right to capital participation.¹⁹

The oil companies' conduct has actually been exposed by a large number of reports and studies which provided facts and figures that could in no way be denied by the monopolies; however, insiders' comments are necessarily more impressive, in view of their direct involvement in the malversation of the companies. Commenting on the companies' attempt to dispense his share in kind of crude oil, Gulbenkian pointed out, "All these details give evidence to the mean attempts of the petroleum group to mislead governments and distort laws".

"To a philosopher concerned with oil affairs, meditations are picturesque today (1945) as the petroleum group have overlooked all previous traditions and volunteered to implement the NATO principles, and the pet-

(18) Harvey O'Conner, P. 179.

(19) Ibid. P. 380.

roleum conferences in Washington declare boldly that they maintain the mission of securing world welfare, the situation seems to be overwhelmed by miracles. I believe, as the Scot puts it, that this is highly doubtful," he said.

In fact, this is far from being a source of surprise, for the companies' support to NATO has been commonplace. The oil cartel has always represented the economic facade of the capitalist countries' monopolies, and has practically interfered with the political and military authorities in London and Washington which are actually behaving like officials in the cartel.

CHAPTER FOUR

THE SITUATION IN IRAQ

- **National Situation in Iraq: Nouri Sa'eed Resignation to contain People's Dissatisfaction.**
- **Nation-wide Opposition to Policy of Lowering Production and Reducing Iraq's Revenues.**
- **50-50 Agreement and I.P.C. Maneuvres.**
- **Development Board and Solter Plan to Dedicate Iraq's Dependence on Britain.**

In the aftermath of World War II a large number of developments took place in Iraq and abroad. On the international level the Socialist Camp grew more influential and national liberation and revolutionary movements gathered momentum in various parts of the world. The international public opinion, notably in Europe and America grew conscious of a large number of facts pertaining to the aggressive policies of the imperialist military powers. On the other hand, the imperialist powers intensified their efforts to distribute among themselves the resources of Asia, Africa and Latin America.

In Iraq political consciousness and national awakening grew more widely intensive in the people's rank, with the essence of such development being embodied in the coalition between certain political parties. In the wake of Sa'eed era, a coalition was established between the Iraqi National Party, led by Muhammed Jafar Abul Tim-

man, and the National Fraternity (Ikha') Party which was collectively led by Kamil Al-Chaderchi, Rashid A'li and Yassin Al-Hashimi. The two parties issued the Coalition "Fraternal" Communiqué on November 23, 1930.

The general strike staged against the Municipality Charges on July 5, 1931 contributed largely to the promotion of political awakening, as the strike ended up with a political mobilisation of national forces. Under the impact of police suppression and terror, an extensive wave of dissatisfaction overwhelmed the people, with the working class having displayed a distinctive and far reaching organisational force in metropolitan areas. This state of affairs actually forced Nouri Al-Sa'eed to resign on October 19, 1931.

The popular pressure which compelled Al-Sa'eed to resign, necessarily implied the necessity of abrogation the 1931 agreement and the Iraqi-British military treaty concluded by Nouri Al-Sa'eed. No doubt the basis on which any agreement or convention should stand is the approval of the people; the majority of the people; therefore, when any arrangement is categorically rejected by the people, any subsequent measure based thereupon can in no way be effective without resort, on the part of the promoters, i.e., Britain and the agent Governments in the case of

Iraq, to persecution and intimidation against the people of Iraq.

Oil was rendered a matter for obvious conflict between the people and the agent ruling authority, following the hectic endeavour which Britain had exerted to keep oil far beyond the reach of the people's concern, by the impact of the nationalization of Iranian oil in 1951, for this great event provided a highly positive opportunity for the oil producing nations to develop an effective consciousness, as the people of Iraq have ever since been doing. About the middle of the year demands were submitted to the Royal Court, notably that of July, that "Iraq should not be converted into a military springboard against Iran or any other country". The other demands were dedicated to highlighting the Iraq people's determination to abrogate the 1930 treaty and 1931 agreement and deal decisively with the manoeuvres set against Iraq's oil resources. National economic circles in Iraq intensified their objection to the low oil production and investment rates. A notable example can be cited in the message addressed by Muhammed Salman Hassan²¹ to the British Economist Magazine in 1951, which reads:

(21) The Economist, London, April 28, 1951, P. 977 "Baghdad and the Oil Talks".

"Sir - May I comment briefly on your correspondent's article in your issue of April 14 to show the point of view of the Iraqi people? While your correspondent admits that one of the Iraq's major complaints is at the rate of production, he maintains that - "the Iraqi argument is greatly weakened by the fact that the company has lost heavily over the Iraqi refusal to use the pipes to Haifa", and "by the fact that just round the corner is more money than Iraq can spend at once without causing the greatest inflation.

This twofold argument is, at best, a temporary explanation of the short-run rate of oil production which has been prevailing in Iraq for a long time — the lowest among oil producers in the Middle East. Thus, in the period between 1938-47, oil production in Persia was almost doubled and in Saudi Arabia increased from virtually nothing to 72 million barrels, while it has increased by only two million barrels in Iraq. It is clear, therefore, that the argument of the Iraqi refusal to use the pipes to Haifa can afford no explanation for this long-run tendency of the extreme slowness in the rate of oil production, despite the fact that almost 8 per cent of world proven oil reserves lies in Iraq.

However, the real explanation of the low rate of production must be sought, I think, first, in the attitude of the British

Government to keep up the oil reserve in case of war and, secondly, the virtual absence of refineries except for the home market, within the territory of Iraq. The absence of refineries, though it is overlooked by your correspondent, is one of the major grievances of the Iraqis against the oil companies.

Turning to the second part of your correspondent's argument — the inflationary pressure which may be caused by a greater revenue from oil — I admit that there is some truth in it so long as the country is at the mercy of the exploiters of the feudal system. But if there is a Government which sincerely embarks on a large-scale programme for economic and social development, and imposes an equitable as well as effectively administered system of taxation, the increase in the revenues from oil need not cause any further inflationary tendencies. On the contrary, any large-scale capital investment will, I think, increase the capital outlays more than the corresponding increase in the flow of money by reason of the rising prices of capital goods. If, therefore, the increase in revenue were exploited according to the benefit of the people, it would be likely to prove a disinflationary rather than inflationary measure".

The emergence of new conditions in Iraq provoked the concern of I.P.C. especially as a group of Parliament members submitted at the meeting held on March 25, 1951 a request pleading that:

“Notwithstanding the considerable injustice sustained by Iraq through the prejudicial oil concessions, the operating oil companies have stubbornly insisted to deny Iraq’s rights and persistently violated the concession provisions, hence:

1. The companies refrained from extracting sufficient quantities of oil to match up with the potential productive capacity of the wells and existing installations, estimated at several times as much.
2. They resorted to a total interruption of production in the M.P.C. and B.P.C. exploitation areas under pretexts that profitability was lower than the I.P.C.’s.
3. They declined to pay Iraq’s share in terms of gold, and, thus, violated the concession provisions.
4. They failed to train Iraqi personnel abroad on certain technical jobs provided in the concessions; in fact, 25 years had already elapsed without the companies having prepared a single Iraqi expert”.

Some of the Parliament members demanded that their request be submitted to the Government of Iraq in accordance with article 45 of the Iraqi Constituent Law, and requested that a bill be enacted to the effect of nationalizing the oil companies operating in Iraq.

Obviously popular pressure reached high standards, with the scope of the battle being widened and more clearly defined by the expert argument maintained by the national intellectuals concerned with oil affairs. To retaliate, the companies urged the Government to chase and terrorize the national forces to make them abandon the pressing demands. However, the companies were ultimately forced to enter into negotiations with the Government, which resulted in the 50.50 profit sharing agreement announced by the Directorate General of Publicity on August 13, 1951, viz:

“After negotiations which extended over several months between the Government and I.P.C., B.P.C. and M.P.C. representatives, the two parties reached agreement on the outstanding oil issues, based on the following principles:

- I — Iraq's share shall be 50 per cent of the oil companies' profits emanating from their operations in Iraq, prior to foreign tax deduction, to be paya-

ble in the following manner:

- a. Iraq shall take in kind at the sea terminal 25 per cent of crude oil produced by I.P.C. and M.P.C. and 33.33 per cent of crude oil produced by B.P.C., provided that Iraq may freely dispose of 12.5 per cent of such supplies and sell the remainder to the company at the sea terminal posted prices, without obligation as regards transportation or any other charges.
 - b. Iraq's remaining share of the companies' profits shall be paid in form of tax on such profits.
 - c. To specify the profit amounts, the two parties agreed, taking current world prices into consideration, to fix prices for the Iraqi crude oil, extraction costs and local transportation, provided that such prices be subject to increase or decrease according to the said world prices.
- II.— Minimum output shall be 22 million tons of crude oil produced by I.P.C. and M.P.C. per annum, as from 1954 onwards, and 8 million tons of crude oil produced by B.P.C. per annum, as from 1955 onwards.
- III.— Minimum Iraq's revenues from oil shall be ID. 20 million in 1953 and 1954, and ID. 25 million in 1955 onwards.

IV — In view of the prices and costs prevalent at the time, average Iraq's income per ton of oil shall be 35.5 shillings in 1951, to be raised to 39.5 shillings in 1953 onwards.

V — Iraq's revenues from oil shall be determined as per the following criteria:

About ID. 15 million in 1951

About ID. 23 million in 1952

About ID. 45 million in 1953

About ID. 52 million in 1954

About ID. 59 million in 1955

VI — The company shall supply the Government's refinery with all its requirements of crude oil for domestic consumption, at a price of 5.5 shillings per ton at Beji juncture.

VII — In the case of any future arrangements between the Governments of the neighbouring countries and the oil companies, to the effect of securing such Governments higher returns per ton of oil than Iraq has been obtaining, the Government of Iraq shall be entitled to claim such excess on the companies.

VII — In the case of force majeure as a result of which the companies interrupt oil extraction, the companies shall guarantee for the Government, without any restrictions or conditions, a minimum revenue of ID. 5.0

million per annum for a period of two years.

IX— The oil companies shall pay ID. 5.0 million in settlement of controversial payments which had emanated on the conclusion of this agreement.

X — A number of Iraqi directors shall be appointed to the oil companies Boards of Directors.

XI— The oil companies shall provide scholarships, on their own expenses, for 50 Iraqi students to study at British Universities in the fields relative to oil industries.

XII— The oil companies shall establish, on their own expenses, a school in Kirkuk for the training of Iraqis on technical oil works, with a total capacity of 240 students and an annual graduation capacity of 60 students.

XIII— From now on, no foreign technician or administrator shall be appointed by the oil companies without prior notification and approval of the Iraqi Ministry of Economy, provided always that no Iraqi counterpart is available to hold such position.

XIV— These principles shall be set in the form of Agreement for consideration by the National Assembly.

This Agreement, if ratified by the National Assembly shall become effective as from January 1, 1951.

The Agreement which was, however, ratified on February 17, 1952, with retroactive effect as from January 1, 1951, was received with an extensive opposition. In a joint statement on February 3, 1952, the National Democratic Party and United Popular Front pointed out. "As worded in the official Notification, the Agreement failed to meet Iraq's rights and interests and provided a wide scope for manoeuvring; Its shortcomings were bound to enhance the companies' benefits". The Party and Front, thus, urged for the rejection of such prejudicial agreement, which involved injustice to Iraq's rights.

Notwithstanding the objection of the people and the shortcomings inherent in the Agreement, the oil companies embarked upon a persistent manoeuvre to make the best of the scope offered them.

1. The 50-50 principle was only rendered a formal accord almost totally void of any practical content.
2. The companies specified the prices and costs, and maintained for themselves price discounts.
3. They calculated royalty payment on the basis of 12.5 per cent of the production value, i.e., within Iraq's 50 per cent share of profits.
4. Although the 50-50 Agreement of 1952 provided that annual production rates should not be less than 30 million

tons and Iraq's Government's share £ 25 million (beginning with 1955), it however, contained two provisions (Articles 7 and 8) which provided the I.P.C. partners with an opportunity to manipulate in the future.

Article seven provided that in the case of force majeure the minimum Government revenue of £ 25 million could be reduced sharply, while article eight gave it a wide margin of manipulation as it added to the provision of article seven that the Iraq Government share should not exceed £ 5.0 million during any calendar year.

No doubt the companies would try to make the best of such provisions for their manipulation and manoeuvres vis-a-vis Iraq's national resources, especially under conditions of growing popular dissatisfaction and pressure.

5. The companies failed to abide by the Iraqi law, as they declined to act according to the Iraqi corporate law, and denied Iraq the right to national sovereignty, an attitude which implied the companies' extended adherence to the 1925 and 1931 Agreements which provided for such British upper hand position (article 43).

6. The companies enjoyed exemption from customs taxes and duties and managed to secure exemption from foreign exchange restrictions for their re-exports.
7. The companies paid royalty in terms of the official price of gold which was much lower than the free market price. Iraq received 230 fils per ton while Saudi Arabia received 245 fils.
8. I.P.C. used to calculate depreciation, prospecting, publicity and agency costs as well as the salaries of agents and spies, as constituting part of production costs.

Early in 1958, i.e., prior to July 14th Revolution, Muhammed Hadid attacked the 50-50 Agreement as being a legal instrument to secure for I.P.C. capital return of 50 per cent per annum. He also protested that the mathematical procedures adopted resulted in a drop in Iraq's share to 35 per cent, rather than 50 per cent.

"On calculating profits an arbitrary price of 90 shillings is adopted per ton, whereas crude oil is sold at 120 shillings per ton, bearing in mind the extremely slight cost of pipelines", Hadid said.²²

“I.P.C.”, he added, “granted its partners a discount of 12.5 per cent out of the 120 shillings it received per ton of crude oil, half of which was, in violation of the 1952 Agreement, without Iraq’s approval”.

Moreover, Iraq’s share of total crude oil output, at one eighth (i.e. 5 million tons) received no purchase order, in line with the Company’s plan, and no priority right was ever observed in connection with the required minimum of 20 per cent subscription to any stock issue. As Dr. Muhammed Salman Hassan puts it, “I.P.C. and the associated companies offered Gulbenkian a 5 per cent share in their capital, and ironically enough, denied the oil proprietors the right to participation under pretexts of ‘no new stock issue’”.

Obviously, the other excuse cited by the Economist correspondent, viz: the inflationary pressure coincided with Salter’s plan to maintain the consumer nature of the Iraqi economy. Since the establishment of the Development Board in 1950, Iraq has steadily been turning into an important importer of consumer goods, even including agricultural products, whereas its exports dropped from ID. 20 million in 1950 to ID. 13 million in 1957.

A thorough consideration of the economic situation in Iraq during the said period would reveal that the foreign oil companies had premeditated diverting "development projects" into such channels as would restrict their scope to monumental buildings and large dams, rather than any productive industrial or agricultural projects. Therefore, Iraq's dependence on oil revenues increased steadily, against the sound and rational trends any development plan in Iraq should have envisaged, and consequently the country was rendered captivated by the companies production fluctuation pressures.

On his arrival in Iraq to reconsider development projects, the British-Economist Salter cunningly planned for:

1. Maintaining oil as the main resource of the Iraqi economy and major source of revenue.
2. Confirming the impression that any substantial change in the pattern of oil production or profits would lead to destruction, unemployment, confusion, social turmoil and chaos in financial services. Salter warned against any claims that might ultimately lead to wresting the country's rights from the companies.

3. Highlighting and publicising theories of intimidation devised by the companies. In his recommendations he argued that petroleum had "certain pessimistic aspects" related to the possibilities of increase in world oil production, and potential political disturbances which would affect such production, thus overlooking the fact that the significance of oil was increasing, and that the Arab World held the largest oil reserves in the world.

Having drawn-up the outlines of the plan within his report of April 1955, with a view to accomplish Iraq's total dependence on the oil companies, Salter elaborated the other aspect which directly concerned the Iraqi economy. In his recommendations he emphasised the restriction of development projects to buildings, dams and rapid-return projects, thus assuring his colleagues in the British-agent Ministry that "great dangers would be involved in any excessively rapid change in the economic pattern of a country where extensive changes took place".

Behind the guise of awe against rapid change, he kept pace with his "rapid development" project, implicitly alluding to doubts as to the feasibility of any industrial or productive projects with relatively longer ranges.

“No accurate assessment of the speed of any practical adjustment is possible without incurring highly detrimental social and political implications”, he remarked. Therefore, he recommended monumental projects with rapid return as an “efficient device to contain popular dissatisfaction”, and discredited longer-range projects with higher return.

As he, thus, induced Iraq rulers' desire to suppress the people's opposition, he endeavoured to dedicate Iraq's economic dependence by undermining any attempt to industrialize or mechanize the country. He argued that long-term industrial projects were out of place vis-a-vis the people's demand for direct and immediate benefits of the oil revenues, and recommended that large funds be disbursed on such monumental projects as housing schemes, water supply projects and farmer subsidies, for the publicity which systematic propaganda should undertake.

CHAPTER FIVE.

- Salter Plan Premeditating Iraq's Economic Under-development.**
- Political Consciousness Gathers Momentum Against Britain.
B.P.C. Workers' Strike; December 15th Strike of 1953.**
- Oil Companies' Concern over July 14 Revolution of 1958.**
- Negotiations and the Companies' Stubbornness.**
- Law No. 80 and Establishment of the Iraqi National Oil Company.**

A general review of the history of Iraq Petroluem Company would reveal how the company had undertaken a major role to dedicate Iraq's economic underdevelopment, so as to maintain the state of dual economic system with the oil sector constituting the main and major source of revenue. Dependence on oil was gathering momentum with the elapse of time.

Under conditions of growing national consciousness and popular uprising, throughout the period of direct and indirect British domination — disguised behind the puppet Royal Governments — I.P.C. contributed largely to an extensive subversive class to foster its interests in the country, thus involving the total negligence of agriculture and industry. In 1961, Iraq's imports were about ID. 40 million above the value of oil revenues.

According to Lord Salter's recom-

mendations, extravagant spending was increasingly characterizing both public and private consumer patterns; chaos set in and Iraq's exports dropped extremely, with total value of domestic non-oil exports having levelled off to ID. 8 million in 1961, thus a large balance of trade deficit resulted.²⁴

Year.	Increase in ID. million
1950	12
1951	10
1952	5
1953	2
1954	13
1955	7
1956	31
1957	58
1958	12
1959	19
1960	36
1961	44
1962	15
1963	12

Although the I.P.C. itself did not publish any figures on its huge profits, Standard Oil of New Jersey put I.P.C.'s profits as having ranged from \$ 19 - 143 million

(24) 1. Central Bank of Iraq, Annual Report — 1963. 2. Ibrahim Allawi p. 89.

in 1937, in return of capital investment of about \$ 14 million, i.e., an average profit of 52 cents per barrel — double the amount obtained by Iraq (including royalty and taxes) in 1950. New Jersey which held two eighths of I.P.C. shares obtained \$ 10.4 million.²⁵

“I.P.C. meanwhile, was making every possible effort to reduce Iraq’s revenues to a minimum”, O’conner said. “However, having perceived the consequences of Iranian oil nationalization in 1951, it offered, against its will to raise royalty from 4 to 6 shillings gold per ton”, he added. In fact the Company’s bid was ultimately, considered in terms of the companies’ calculations, for popular pressure had already reached such a point as to herald Iraq’s following Iran’s example.²⁶

In the early fifties, the political situation in Iraq was undergoing a phase of highly significant change that marked the consolidation of anti-British consciousness. On November 22, 1952, overwhelming demonstrations were staged in a number of metropolitan centres in Iraq strongly demanding the trial of tyrants and dismissal of British and American imperialists.

(25) Harvey O’Conner pp. 380-381.

(26) Ibid., p. 380.

Al-Jihad daily whose editor-in-chief was Muhammed Mehdi Al-Jawahiri, compared that day to the 27th of January, 1948. The situation grew more explosive on 15th December, 1953 with the strike staged by B.P.C. oil workers for higher wages and elimination of such arbitrary measures as "grade zero" allotted to unskilled labour. On this, the B.P.C. revealed its real face by assuming her mother-company's role of "ruling-behind-the-scene". The company ordered the authority to shed the blood of workers who had staged a sit-in strike in the company yard.

This fascist bloody conduct provoked the masses all over Iraq against the serious development of the companies' role which involved mass-murder besides robbery and plunder.

Al-Ishtiraki "Socialist", organ of the Arab Ba'ath Socialist Party, commenting on the developments, said, "Now that the B.P.C.'s recklessness has reached intolerable levels, with the treacherous agent Government adopting an attitude of black collusion in support of the imperialist company, as expressed in opening fire on our free workers and arresting hundreds of citizens in Basrah jails, so as to pave the way before the imperialist exploitation of B.P.C. The Arab Socialist called

on all students to go on general strike on Tuesday, December 15, 1953".

July 14 Revolution of 1958:

The oil companies which tried, in line with their new strategy following the conclusion of the 50-50 Agreement, to manoeuvre their attitude so as to guarantee, by raising Iraq's nominal revenues from oil, a steady increase in the country's imports of manufactured and consumer goods, even including food supplies, from their countries; Iraq's imports were, in fact, rising at higher rates than oil and non-oil proceeds, hence the horrific dependence of the Iraqi economy on oil revenues.

With the inception of the July Revolution of 1958 Iraq's position vis-a-vis the companies involved a significant turning point, with the latter having feared certain "unfavourable" developments, especially as they had been well aware of the Iraqi and Arab aspirations to direct exploitation of their resources:

"Iraqis are united on oil as perhaps on no other issue", the Financial Times said."

Wanda Chaikooski, Foreign Editor at the Petroleum Weekly Magazine expres-

(27) The Financial Times, London daily, 5th May, 1961.

sed her concern over the probable spread of what she termed as "Nationalization Germ":

"One may hope the fire would not spread out, but one should not count much on that", she said.

In the New York Times, the Petroleum Affairs editor expressed concern over the "gloomy prospects" awaiting western and American oil companies in the Arab World. "The most powerful Government has collapsed", he said, alluding to the Royal Regime in Iraq.

"The Government of Iraq was considered the most stable and advanced in the Arab World; it was the only Government that the West had considered really reliable", he wrote.

No doubt the West suffered from an obvious misunderstanding of the situation in Iraq. The Royal Regime, described as the most stable in the Middle East, had encountered a series of attempted coup d'etats, revolutions, uprising and armed onslaughts ever since the British had "installed" it back in 1921. The alleged stability had only been kept "intact" by the presence of 18 thousand security men who has scattered all over the capital, while hundreds of the opposition politicians were tried and arrested for their political activity. The political parties

were banned following the conclusion of Baghdad Pact.²⁸

The new developments were significantly represented in the "oil battle" following July 14 Revolution of 1958, in view of the following considerations:

I. — The 14 July Revolution adopted the course of negotiation with the companies, which extended until April 1961.

II — The first Arab oil convention demanded a higher share of profits. It also requested that the companies complement their operations so as Iraq could acquire a share in the profits that would emanate from the other sources, prices be stabilized, an Arab pipeline constructed and the companies consult producing countries prior to any price adjustment.

Turaiki and Muhammed Salman Hassan called for a united front, similar to the Cartel.²⁹ Notwithstanding their realistic approach and practical feasibility, these demands were considered, as O'Conner put it, a serious warning to the companies. "It is a time of hardship to us",

(28) Harvey O'Conner, p. 383.

(29) Harvey O'Conner.

the New York Times disclosed, and Mr. Howard Page, Standard Oil of New Jersey Advisor, went so far as to describe the Arab demands as "castles in the Air of publicity world".

III— The people's resistance against the companies was gathering momentum.

Meanwhile, the Government of Iraq after July 14 Revolution of 1958 did not plan to curb the consumer and extravagant spending; it rather aborted practical attempts in that direction while still in the bud, due to the totalitarian conduct which marked Iraq's economic policies. To its overwhelming pleasure, the New York Times noted that "the July Government of Iraq has spent the \$ 235 million of oil revenues she received in 1958 with only a little to say".³⁰ Under this policy trend, agriculture grew more of a burden on the Iraqi economy, for foodstuff imports increased sharply and domestic exports fell considerably. The following table is cited to exemplify the deteriorating economic situation in Iraq, which helped the companies step up their pressures

(30) Harvey O'Conner, p. 385.

Oil Revenues.

ID. million

Imports.	1958	1959	1960	1961	1962	1963.
Exports.	80	87	95	95	95	110
Ordinary Budget Revenues,	110	116	139	146	129	114
Development Exp.	14	11	8	8	16	16
Total Oil and Export	57	90	104	121	115	127
Revenues.	52	50	47	67	59	44
Import Excess over total	98	97	103	102	114	126
Oil and other export Rev.	12	19	36	44	15	20

Sources:

1. Central Bank of Iraq Annual Report, 1963.
2. C.B.I. Quarterly Bulletins.
3. Iraq Petroleum and National Liberation, 1967, Beirut, P.89.

Through the perspective of I.P.C. literature on Iraq after July 14 Revolution, it can be concluded that the companies gradually came to know that the Revolution was not so strong and integrated as to inflict fear into their ranks. The I.P.C. writers have, thus, repeatedly expressed their satisfaction at Iraq's declared intention not to take over or confiscate the companies' property.

The companies' satisfaction was more assured by the deterioration of the economic situation — due to the continued extravagant spending (as imports of luxury and consumer goods rose considerably and exports fell substantially). Iraq displayed clear-cut evidence that it had developed a Venezuelan-type pattern of spontaneous and extravagant trade policy and wastefulness of oil proceeds.¹³

Oil revenues constituted 85 per cent of national income, most of which went to consumer and luxurious spending.

In the meantime, despite the many chances provided for concluding a num-

(31) Ibid., p. 388.

ber of oil agreements, e.g., with ENI of Italy, and establishing barter relations with a number of countries, no practical step was ever made by the authorities in that direction. The news of ENI's offer to provide Iraq with technicians to contribute to the industrial development of Iraq caused considerable and profound concern in London; the Soviet-Iraqi Agreement and the Iraqi-Democratic Vietnam Barter Accord caused panic in the companies quarters.

The developments which took place during that period revealed that the oil companies had drawn up a plan to preclude Iraq's economic deliverance from the economic domination of the west, especially Britain, and foil any attempt to be made by Iraq towards widening the economic base of the country. This, in fact, shed sufficient light on the prejudicial practices to which the companies had resorted vis-a-vis Iraq.³²

(32) Dr. Abdulla Al-Sayyab, "Wa'ie Al-Ommal" Daily No. 161 p. 4:

"... Although Iraq's oil revenues, outside the area defined by Law No. 80 of 1961, were higher than those of the U.S., the latter's oil output was 10 million barrels a day and the former's 1.5 million b/d. The Companies' efficiency was low, a situation which is, ironically, made up for by the abundance of oil flow and low production costs in Iraq.

Iraq's demands which the companies overlooked were included in the Ministry of Oil Statement of April 10, 1961, hence:

The Government of Iraq demands that:

1. The method of calculating oil production costs should be revised together with all relative questions, with a view to safeguarding Iraq's rights.
2. The method of price fixation according to which Iraq's revenues were calculated should be revised.
3. The privilege grants to the companies should be cancelled.
4. Iraqi directors should be appointed to the companies' board in London and companies' expenditures under Iraq's Government supervision so as to guarantee Iraq's interests.
5. Iraqization of the companies' personnel should be carried out gradually.
6. Areas so far unexploited by the companies should be relinquished, to be exploited by Iraq.
7. The companies should hand over to Iraq all the natural gas in excess of the oil and gas fields' requirements, and should immediately stop the extravagant burning out of gas which the companies realized to be in wastefulness of Iraq's resources without quid pro quo.

8. Utilization of Iraqi oil tankers should be secured for the transportation of Iraqi oil.
9. Iraq should participate, to the minimum of 20 per cent in the companies' total capital.
10. Iraq's share of oil proceeds should be increased.
11. Revenues should be paid in convertible currencies, in protection of Iraq's interest.
12. Injustice and prejudice caused to Iraq should be eliminated by means of removing the ambiguity in certain provisions of the oil agreement.
Due attention should, thus, be devoted to the explanation of the following:
 1. The oil companies considered all exploration and excavation (drilling) expenses within direct production costs which were deducted from Iraq's share of oil revenues. Iraq, thus demanded that the I.P.C. London headquarters' expenditures as well as publicity and propaganda expenses be excluded.
 2. I.P.C. made an arbitrary and unilateral reduction of the oil prices, thus causing Iraq an average loss of ID. 10.0 million per annum between 1959

and 1963, i.e., a total loss of ID. 50 million.

3. The Government of Iraq called upon the oil exporting countries to meet and deliberate. Representatives of seven exporting countries, therefore, met on September 14, 1960, and OPEC was thus established.
4. The Companies embarked upon various tricks and manoeuvres, through the channels they had secured under 1952 Agreement, to force Iraq to accept a reduction of 17.5 shillings per ton of crude oil exported via the mediterranean and 13 shillings per ton exported via the Fao terminal.

Even the Royal regime had protested against such arbitrary behaviour and the companies had to lower the production rate to 2 per cent, as per March 14 Agreement of 1954. Against the Government's insistence, the companies had to lower it still to 1.0 per cent as per January, 1957 Agreement.

5. Regarding the appointment of Iraqi directors at the I.P.C. Board, no positive measure was ever taken by the Company to treat these Board members on equal footing with the British.
6. Iraq's loss sustained as a result of the

wasteful burning out of natural gas was estimated at 150 million cubic feet per annum, at a value of ID. 9.0 million. The companies also failed to hand the excess supply of gas over to the Government.

7. The companies rejected Iraq's participation in their capital, at a minimum of 20 per cent of stock issue, although this right had originally been provided for in San Remo Agreement of 1920, and despite the fact that the companies had referred, in their dealing with the Iraqi side, to provisions of such agreements, so as to apply the favourable and discredit the unfavourable.
8. The companies concluded agreements with Kuwait and Iran providing for higher shares for the host Governments (i.e., higher than 50 per cent of profits). Venezuelan proceeds, meanwhile, rose from 50 per cent to 68 per cent, as a result of income tax readjustment. However, I.P.C. and its two associates denied Iraq such right.

The companies should have taken heed of the fact that July 14 Revolution had put an end to Iraq's political dependence which provided Britain with the conditions for concluding such agreements,

for the people became in such a position as to commence with a new phase of struggle towards benefitting from their national resources against the schemes of imperialist plunder.

No doubt, July 14 Revolution of 1958, which inflicted horror into the hearts of British and U.S. imperialists, could have forced the oil companies to give in to the people's will, had it not been for the economic deterioration, lack of economic planning and the Government's political instability.

With the emergence of OPEC, the companies felt that their "grip" over the situation would soon fade out.

"The U.S. and Britain could not look any more forward to perpetuating their role as the sole contractors in the oil realm", Dr. Paul Frankel said in the Economist.

As negotiations had broken off, the companies resorted to the reduction of production and prices, against which the ultimate resort, on the part of Iraq, to legislative measure became inevitable. Law No. 80 of 1961, was thus enacted, viz:

Article I. The words and expressions shall have the meanings set thereagainst:

Companies: Iraq Petroleum Company Ltd., Mosul Petroleum Company Ltd., and Basrah Petroleum Company Ltd.

defined areas: The areas to which each company may have access to carry out its operations.

Lands: Any submerged or non-submerged land.

Article II. The area allocated to each company shall be defined as per the table appended to this law.

Article III. The Government of Iraq Republic may, if she deems necessary, allocate other lands for the companies' reserve purposes, provided that they do not exceed the defined area of each company.

Article IV. The lands not covered by the provisions of Articles II and III hereof shall be void of all rights accruing to the companies, and the necessary arrangements for the pumping and transpiration of oil via such lands shall remain valid provided that no encroachment be involved on any legal and reasonable utilization of such lands.

Article V. 1. The companies shall, within three months from the effective date hereof, submit to the Government, free of charge, all the geological and geophysical material and data, as well as all other matters related to oil engineering pertaining to the lands covered by the provisions of article IV hereof.

2. If any of the companies fails to submit the data required under para (1) hereof, it shall be bound to indemnify the Government for the loss she has sustained and profit she has missed due to or as a result of such delay.

Article VI. This law shall come into force as from the date of its publication in the official gazette.

Written at Baghdad on this 3rd Day of Rajab 1381 Hajira Calendar, corresponding to the 11th Day of December, 1961.

Law No. 80 was tantamount to the most colossal legislation confirming Iraq's sovereignty over its territory and suzerainty over its resources, and binding the companies to abide by the state laws. It

also constituted a sound measure to confront the companies' challenge and arrogance, for it practically wrested 99.5 per cent of Iraq's territory from the grip of the companies which had kept it idly unexploited and prevented Iraq from so doing on its own.

Right from the beginning, Law No. 80 was subject to pressure, for a series of manoeuvres and tricks have been devised to strip it off its effective legislative force; the same was true with the Iraq National Oil Company's (INOC) statute of 1962, both of which were rendered ineffective under the pressures and sneaking attempts of the companies.

In his book on Iraq's oil, O'Conner noted* that the "companies endeavoured to end up the law's legislative effect, lest it should serve as a legal precedent for subsequent legislative measures".

An outstanding conspiracy against Law No. 80 was embodied in an attempt to distort Article III thereof which provided for the "possible allocation of further lands" to the companies. However, the INOC statute managed to put a decisive end to such consessional attempts. INOC was granted, under its statute, full and

(*) O'Conner, Harvey p. 439.

exclusive right to exploitation of oil in all the areas containing oil and hydrocarbonic deposits in Iraq, except for the areas covered by Law No. 80 of 1961, which had defined the oil companies' exploitation areas.

The companies' pressures were direct and immediate, as they resorted to a sharp reduction in oil production, with the rate of increase having dropped to 3.0 per cent in 1962, against 8.5 cent for world production increase, added to such favourable considerations as lower production costs and better quality of Iraqi oil.

CHAPTER SIX

- 1. November Apostasy and the Conspiracy on Iraq's oil.**
- 2. Report on Secret Negotiations and Draft of the two Interred Agreements.**
- 3. Law No 97 of 1967.**

The oil companies actually embarked on a labourious work to reap, through the November 18 Apostasy Government, the fruits they had sought against the Iraq people's interests. The second round of negotiations between Iraq and the operating oil companies which continued from February 5, 1964 to June 3, 1965, were kept under a strict curtain of secrecy, with the only information leaked out having alluded to the "desire to settle all outstanding questions between the two parties", as declared by the November Apostasy Government in 1963. Things were, thus, developing against the interest of the people, and the new issues, added to the old ones, mainly related to:

- a. The supply of crude oil to Government refineries at cost price.
- b. The change-over in the methods of oil measurement.

- c. The export of Khanaquin oil.
- d. The natural gas exported to Syria.
- e. Royalty expensing.

It was obvious, through the perspective of the November Apostasy reactionary Government's position, that atop the list of outstanding issues with the companies, there stood the premeditated intention to liquidate Law No. 80 and INOC statute.

The negotiations resulted in a "report" and two draft agreements amending 1952 concessions and founding Baghdad Oil Company respectively. However, the proposed agreements were ripped in the bud under the pressure of the Iraqi public opinion.³⁴

The report and two draft agreements gave evidence to the fact that the Iraqi negotiators were actually performing a role carefully drawn-up for them to foster the companies' interests rather than the Iraqi people's

The waiver of law No. 80, abandonment of the idea of establishing an independent national company and total negligence of such issues as natural gas and

(34) Hassan, Dr. Muhammed Salman, **Towards Nationalizing Iraqi Petroleum**, First Edition, Sept. 1967, p. 91.

port dues were in the core of their assignments.

Potential oil-reserve areas, totalling 1937 square kilometres were restored back to the companies, e.g. Rumaila, Toubia, Zubair, Southern Kirkuk, Southern Bai Hassan, Northern Janbour, Ain Zala and Western Tumma (Mosul) oilfields, where proven reserves were estimated at about 3000 million tons. All these arrangements were made under the disguise of "technically sound production operations. Iraq was, thus, left with areas where oil deposits were rather doubtful, and even such areas were far from being immune against the companies' covets, for the negotiating team devised the idea of establishing Baghdad Oil Company to serve as a joint venture between INOC and the Cartel at the proportion of one third for the former and two thirds for the latter to be shared in the following manner:

15 per cent for each of the French, Shell, British and Mobil Oil Companies and,

3 per cent for Gulbenkian.

The Baghdad Oil Company (B.O.C.) agreement would have, thus, involved INOC's waiver of 32 thousand square kilometres, against one-third participation in the capital of the proposed com-

pany; in fact, the above area constitutes 7.3 per cent of total area of Iraq located in the centre of Iraq's South-Eastern region known for its huge oil reserves.³⁵ The Iraqi negotiators' role went even further than the above derogative indulgence into collusion as to contribute practically to the drawing-up of future prospects according to which Iraq would be kept under conditions of under-developed oil and petro-chemical industries and exploitation. The two draft agreements had presumed that INOC would shun from undertaking any of the above activities, except through a joint venture with the companies.

Moreover, the "negotiations" provided that:

(35) Athaqafa Al-Jadida (New Culture) Review in its April, 1972 issue:

"The oil monopolies were on the verge of reaping the fruit of their criminal activity to undermine the essence of Law No. 80 of 1961, as they managed, back in 1965, to reach agreement with the reactionary totalitarian regime to give the companies back the most oil-rich areas of Iraq including North Rumaila oilfields.

"The North Rumaila oilfield holds a huge reserve of at least 1500 million tons of good-quality and easy to extract oil, let alone the economic advantage of its proximity to the export terminal.

1. The Baghdad Oil Company's board of directors should consist of eight members: three of which would be from Iraq.
2. The area of 32 thousand Sq. Km. placed under the disposal of the Joint (BOC) venture, as an exploitation area, would, by implication, be totally inoperative, for, as Abdullah Turaiki put it, had the companies wanted to expand the area of their oil exploitation, they would have done so previously. "They rather concentrated on the exploitation of their areas", he said.
3. The November negotiating delegation waived natural gas and provided wide margins in the British-devised manoeuvre. The delegation pleaded that if the government preceded the companies in undertaking a gas exportation project, she would thus be entitled to the privilege; but, if the IPC took the initiatives, it would acquire the privilege
4. The delegation also made concessions regarding the port dues of 250 fils per ton, imposed by the Iraqi Ports Administration Board in 1959, and accepted 280 fils per ton for the first eight million tons of crude oil export-

ts, to be reduced to seven fils per ton for the next four tons of crude oil exports, 25 fils per ton for the next 4 million and 23 fils per ton in excess thereof.

The negotiating delegation obviously avoided the trouble of 'annoying' the companies; it pleaded that Law No. 80 would only be implemented in as much as it met the companies' desire.

"Obviously the stagnation which has characterized oil industry in Iraq ever since the promulgation of Law No. 80, can only be removed by the companies' submission and abidance by the provisions of the law".

However, the delegation was not convinced by the possibility of bringing the companies down to their knees to meet Iraq's legitimate demand, thus it undertook a far-reaching role in explaining the oil companies. "The markets are dominated by the companies whose power is unchallengeable", the November delegation claimed. In its justification of this argument, the November delegation pointed out, 'it seems that the mere foundation of a national oil company does not suffice for the attainment of the objectives sought in the direct undertaking of oil operations. Therefore the out-

standing issues with the companies operating in Iraq should be settled so as the latter could exploit the potentialities the rights of which had reverted to the government, directly or indirectly. The National Company is not in a position to invest tens of millions of Iraqi Dinars for the production of oil from those areas, nor is it in a position to explore international markets to sell the oil produced, for it can, of course, in no way resist the world monopolies which dominate such markets".

Notwithstanding the strict curtain of secrecy, the people and national forces were aware of a deal to the value of ID. 20 million in cash to be effective immediately after the ratification of the agreement (although the amount represented arrears payable by the companies to the government).

Sd. Kamil Chaderchi submitted two memoranda, the first of which was on September 27, 1964, in which he openly warned against the attempts which had been made to undermine Law No. 80, and the second followed the declarations made by Aziz Al-Watari, the then Minister of Oil, to Jamhuriya Daily on May 22, 1965, in which Chaderchi expressed the people's attitude against the November Apostasy government, which had already been suf-

fering from a total isolation under the impact of the overwhelming hatred and wrath of the people.

"Any accord with the oil companies under the current extraordinary conditions is considered null and void; therefore it will inevitably be rescinded as was the case with Argentine a few years ago. Such experience undergone by Iraq and other countries should necessarily induce the parties concerned with the current negotiations, both in office and beyond, to take heed of the serious consequences of sacrificing the people's rights for the benefit of foreign monopolies", the memorandum said.

Clandestine National and progressive parties strongly condemned the suspicious secret collusions and manoeuvres taking place between the companies and the reactionary authorities. In their underground pamphlets, these parties exposed the deals which were concluded for the sale of Iraq's oil resources.

In a study published by Al-Thawra Al-Arabia Daily on August 8, 1965 Turaiki condemned such attempts to abort Law No. 80. "This law has become a concrete reality, and the oil deposits in the areas restored under it have become a national reserve", Turaiki said.

Reactions of the people, their national and progressive nationalist forces were highly extensive, for the news of the collusive deals were circulated in the ranks of the people, and the popular pressure was culminated by the resignation of the cabinet and resulted in a reverse direction, in the promulgation of Law No. 97 of 1967 which mainly provided that":

1. All oil-deposit areas outside the coverage of Law No. 80 of 1961 shall be exclusively allocated to the Iraq National Oil Company.
2. Provision of Article 3 of Law No. 80, pertaining to the possibility of allocating reserve areas in the productive well regions exploited by the oil companies operating in Iraq, shall be excluded.
3. Any new oil exploitation concession, or the like, shall be prohibited.
4. Oil exploitation may be made under contracts which shall not affect the public ownership rights of oil and hydrocarbonic materials.
5. INOC oil exploitation shall either be made directly or in participation with others.

In fact the law was a straightforward step on the thoroughfare of oil liberation in principle. However, its real value was

naturally conditional by sound implementation³⁶.

Accordingly, the law can be considered as a triumph for the people's determination for it practically discredited the "oil negotiation report" and the "Two draft agreements" for the amendment of oil concessions and foundation for Baghdad Oil Company.

In fact, however, Law No. 97 can in no way be considered integrated by itself; progressive Iraqi economists made remarks on the weak points of the law as in the following demands:³⁷

1. Necessity of insistence on the incorporation of the remaining provisions of Article 3 of Law No. 80 into Article 2 of Law No. 97 as a part of the general settlement with the oil companies, or else Article 3 should be categorically abrogated. Its amendment, however, would imply the continuation of concession not only in respect to the currently productive wells but also to the oil reserve areas.

(36) Hassan, Dr. Mohammed Salman, *Towards Nationalization of Iraqi Oil*, p. 95.

(37) *Ibid.*, pp. 94, 95 and 96.

2. Necessity of excluding the oil companies operating in Iraq from participation in oil exploitation, because the principle of "participation with others" may result, in the future, in the reinstatement of the companies into new prejudicial concessions behind the facade of participation. Although the term "other" may be useful for the conclusion of cooperation and barter agreements with friendly countries outside the oil cartel, the companies' manoeuvres and pressures are to infiltrate into such loose formula.
3. Necessity of revising the law, set up a policy of the Iraq National Oil Company so as to render it capable of building up an independent national oil sector.

Iraq was consequently subject to considerable pressures and manoeuvres, which resulted in aggravating its economic under-development, due to:

1. Determination of oil companies to keep Iraq under the bondage of political dependence.

2. Dedication of Iraq's economic dependence on oil revenues.

These two factors practically provided the companies with such an upper-hand position as to reduce prices and production with a view to intensifying their pressure on the economic and political situation in Iraq.

CHAPTER SEVEN.

- 1. July 17 Revolution of 1968: Struggle intensified against IPC.**
- 2. Law No. 24 of 1970 puts an end to possible scheming against Law No. 80.**
- 3. Negotiations exposed IPC detrimental manoeuvres against Iraq interests.**
- 4. IPC Nationalization: great achievement of June 1, 1972.**
- 5. Appendix: Iraq Ultimatum to Oil Companies; Nationalization Act and Law.**

**1. JULY 17 REVOLUTION OF 1968:
STRUGGLE INTENSIFIED AGA-
INST IPC:**

Having led the battle of the people for liberation, independence and socialist construction in the wake of July 17 and 30, 1968, the Arab Baath Socialist Party inflicted horror into the ranks of the oil companies, reflected in the series of their criminal conspiracies against the revolution. It was clearly defined that the revolutionary thoroughfare was practically leading to the realization of the people's rights to their national resources, and that the revolution was determined, ever since its inception to concentrate its attention to the accomplishment of the unity of national forces, realization of a peaceful and democratic settlement for the Kurdish issue, determination to push the wheel of Arab revolution ahead and accomplishment of Arab unity.

In the preamble of Law No. 24 of 1970, enacted by the revolution to abrogate Article 3 of Law No. 80, the July 17 government pointed out: "In implementation of the **national oil policy** adopted by the revolutionary government towards restricting direct exploitation of oil resources to the Iraqi National Oil Company, this law has been enacted".

No doubt, it can obviously be perceived that July 17 revolution had brought about all necessary conditions to embark upon a positive confrontation against the companies' pressures right from the beginning; it chased all elements of espionage and conspiracy which had undertaken a sneaking part in the implementation of the oil imperialist cartel schemes of sabotage, espionage and rumour mongering.

The revolution also devoted considerable attention to the agricultural sector, by distributing land to the peasants and establishing the agricultural cooperative system with a view to promoting the contribution of the agricultural sector to Iraq's national income on the one hand, and providing such positive conditions as would considerably lead to the reduction of food stuff imports. Under a carefully and thoroughly studied plan, the agricul-

tural sector was put on the threshold of development not only to meet domestic demand but also to provide export-oriented surplus.

In the industrial sector, the revolution has undertaken an ambitious industrialization programme within the context of which a large number of industrial projects have been established, against the premeditation of the imperialist oil companies. The Ministry of Industry has practically given birth to a large number of productive projects, both in fields of capital and consumer industries; several agreements have been concluded with the socialist countries to help attain these objectives.

The commercial sector has also witnessed a radical change in the benefit of the masses; a considerable portion of traders, manipulation has been eliminated, and with it some of the major factors behind Iraq's underdevelopment, considered in terms of the balance of trade, have been removed.

Moreover, the internal political situation in Iraq has undergone a promising stage of positive relations between the national forces. The promulgation of March 11 Manifesto and the National

Charter created positive conditions, exclusively void of all extraordinary conditions which world imperialism had infiltrated into Iraq under the ill-famed doctrine of "divide and rule".

Within the context of foreign policy, new opportunities were brought about towards consolidating Iraq's cooperation with various peoples and countries of the world. Iraq recognized the German Democratic Republic and the Revolutionary Provisional Government of South Vietnam, and reinforced cooperative relations in various economic, cultural and technical fields with the countries of Asia, Africa and Latin America.

Iraq's relations with the socialist camp have been consummated to the level of strategic alliance based on the mutual interests of the Iraqi and Arab people on the one hand and the peoples of the socialist camp on the other. The Iraqi-Soviet treaty has marked a colossal consummation of such alliance and consolidation of the unity of anti-imperialist forces.

Meanwhile, the companies were preoccupied by a conspiratory role on various levels. On the internal level the companies provided their agents with ample conditions for the hatching of December 22,

1970 conspiracy which was totally blown up into defeat and utter failure; the companies' subsequent intrigues were all shattered. On the economic level, the companies unleashed an extensive campaign to sabotage the Iraqi economy; they reduced oil production considerably with a view to intensifying their pressures on Iraq and consequently forcing their schemes on it.

The companies resorted to all means at their disposal to hinder the revolutionary procession of the people towards attaining their legitimate aspirations, liberating their economy and creating a developed industrial base. Their pressure and conspiracies were so fierce as to pose no other alternative to the government than addressing her remarkable ultimatum to the companies, viz:

Early in 1972, the government of Iraq started negotiations with the representatives of the foreign oil companies operating in Iraq to settle various outstanding matters which constitute legitimate rights of our people and draw up the image of future relations on the basis of respect for our national sovereignty and dealing from new positions. The correspondence exchanged between the Ministry of Oil and

Minerals and the companies has practically defined the general framework according to which negotiations are held.

These principles are defined in accordance with adherence to Law No. 80 of 1961, being one of the most sacred accomplishments and national rights on which our people are keen; rejection of any proposal or measure that would, directly or indirectly encroach upon or discredit this law; full recognition of other legitimate demands submitted by the Iraqi negotiating party; settlement of the royalty expensing issue by paying all the arrears due on the companies, in line with the arrangements the companies had taken in respect to the other countries in the area; agreement on regular productive and investment programmes under which the companies should pledge to produce Iraq's oil so as to secure the stability for Iraq's potential resources and curb manipulation of Iraq's destiny.

The revolutionary command realized that the companies which, for several years, plundered our natural resources, would not easily comply with such demands; this impression was reflected in the policy and conduct of the companies' negotiating delegation who resorted to pro-

traction and procrastination to lead negotiations into a blind alley.

Thereafter the companies proceeded with their arbitrary and prejudicial policy, thus deliberately causing injustice to Iraq's interests and manipulating production rates heedless of the repeated government warning against the consequences of having recourse to such behaviour, until our oil production reached unprecedentedly low levels between 1st March until the present time. In a futile attempt to exercise pressure on Iraq with a view to diverting it from its strategic position in confrontation against monopolies and imperialism, and in defence of the liberty and independence of the peoples in the area. By their conduct, the companies exposed our development and reconstruction programmes to confusion and injustice, but reaped disappointment and failure as a result.

The policy of injustice exercised by the companies vis-a-vis the Iraqi people could only result in serious consequences to the companies interests, they would in no way affect Iraq's steadfastness, but were definitely bound to have far-reaching detrimental effects on the companies

interests and future not only in Iraq but also over the Arab world.

We have repeatedly confirmed that we are not against any company operating in our country on purely commercial bases; but we are against the companies which anchor their policies on the anticipation of highest profits and causing injustice to the interests and resources of our country.

While we bring forth all these exposing facts on the attitude of the foreign oil companies to our people, before the Arab and International public opinion, we address an ultimatum to the companies, and demand them that they:

1. Comply immediately with the government's demand to raise production rates to the maximum capacity of pipelines and take all necessary measures to reflect such tendency.
2. Pledge to reach agreement with the Ministry of Oil and Minerals to draw-up a regular and long-term productive programme on scientific principles from our oil fields, and reflect positive initiatives to attain this objective.
3. Submit a positive offer on the demands put forth by the government ne-

gotiating delegation during the recent negotiations.

We give a period of grace of two weeks to the companies to consider our ultimatum and demands, as from the date of this notification.

Otherwise the government will have no other alternative than adopt all the legal measures to safeguard the national interests and legitimate rights of our people.

Proceeding from the belief in the capability and preparedness of this great nation to sacrifice, and from the sense of historic responsibility to defend the independence and sovereignty of this country, the revolutionary leadership calls upon the people to prepare for a new phase of national action in resisting world monopolies and besieging their activities and those of their exposed agents inside Iraq and abroad. Imperialism and its monopolist companies seem not to have, as yet, recognized that our age is the age of masses who are determined to wrest their right and defend them, however big the sacrifices and high the price may be. It is time now that all perceive that the people of Iraq have grown impatient as to deliberate wastefulness and manipulation of

their resources, future and destiny of the forthcoming generations.

Our slogans today are sacrifice and endurance, for the liberation of our oil resources from the fetters of the foreign exploiting companies; our people who have offered the most valuable sacrifices in their national and nationalist battle are capable of self-determination and full realization of sovereignty and independence.

**Revolutionary Command
Council
May 17, 1972.**

The people's demands put forth to the oil companies related to

1. Planning of Production Policy:

This demand is highly significant in view of the companies' recourse to reducing the annual rates of production increase and shunning from investing necessary funds for the expansion and development of oil fields.

Discrimination against Iraq and the policy of injustice adopted vis-a-vis its interests can best be illustrated by comparing the annual rates of production increase in Iraq during the period 1952-1961

with the rates recorded following the promulgation of Law No. 80 of 1961, i.e. during the period 1962-71; the annual rate fell from 11.1 per cent during the earlier period to 4.7 per cent during the latter period.

The companies went too far in their arbitrary policies against Iraq, while the rates of increase in international trade exceeded 10 per cent per annum, with the rates recorded in the other oil exporting countries of the area during the said period being 14.21 per cent in Iran, 11 per cent in Saudi Arabia and 39.65 per cent in Libya.

This policy has actually caused Iraq a material loss of ID. 450 million.

Therefore Iraq demanded that its proceeds from oil be specified beforehand, so as to be in such a position as to draw up its prospective programmes for development and reconstruction on a constant basis, without incurring the risk of placing such programmes under the mercy of the monopolist companies — a situation which would ultimately lead to instability and confusion in the economic policy and consequently endanger our future development.

2. Royalty Expensing:

Royalty is a specific proportion of output paid to the land owner against utilization of the oil resources submerged underground, which are naturally exhaustible. Traditionally, the land owner is given the option to receive this share in kind or cash.

Expensing means the disbursement of the amount as part of production costs, similar to such other costs as labour wages, operation and transportation expenses, so that these amounts are deducted from the aggregate income for the calculation of taxable net income.

In 1964, the companies partly expensed royalty amounts for the OPEC countries, due to the insistence of the companies to secure price discounts against the expensing of royalty. These discounts continued until 1970 when they were cancelled under the recent price agreements.

In the case of Iraq, the companies insisted not to pay the royalty amounts unless Iraq accepted such detrimental conditions as would encroach on its sovereignty and national independence, besides the other prejudicial financial conditions, including, inter alia:

- A. Compulsory arbitration clause which implied subjecting Iraq's laws and legislation, including law No. 80 of 1961, to examination and discrimination by foreign bodies, thus, violating Iraq's sovereignty and absolute right as an independent country in terms of legislation and enactment of laws.
- B. Most favoured party treatment condition which implied providing the monopolist companies with the privilege of priority over other companies operating in Iraq.
- C. Providing the companies with the privilege of denying Iraq and right to file any new financial claim.

Total amounts due to Iraq on the companies, under the royalty expensing arrangement for the period from 1964 to February 1970, amounted to ID. 78,310,472 added to a compound rate of interest of 6 per cent, thus, bringing total Iraq's claims on the companies to ID. 98,779,537.

The Iraqi negotiating delegation managed, during the last negotiations with the operating companies, to wrest a pledge that the latter withdraw the compulsory arbitration clause and most-favoured-

party condition; however, the companies insisted not to pay such amounts unless Law No. 80 of 1961 was effectively enfeebled; in other words the role of Iraq National Oil Company in creating a national oil economy independent from the world oil monopolies, would be undermined.

The companies' conduct in the manner explained above confirmed, once again, their vicious intentions to plunder the people's resources, weaken Iraq's position and encroach on Iraq's future.

2. INVESTMENT POLICY OF FOREIGN OIL COMPANIES IN IRAQ:

The discovery of oil, development of discovered oil fields and commencement of oil production can only be achieved by investing sufficient amounts, by the operating companies, for the purchase of equipments, construction of premises, installation of structures, provision of transportation facilities and accomplishment of export necessities. Within the core of these facts lies the main reason for the promulgation of Law No. 80 of 1961. Although the companies solely enjoyed, throughout their operation in Iraq, the right of prospecting, producing and expor-

ting oil from nearly all the territory of Iraq, they failed to take the necessary measures to explore and develop Iraqi oil fields. They, in fact, restricted their exploitation to small areas not exceeding 0.05 per cent of total area of Iraq, i.e., 1 per cent of total average of the areas under their disposal. Therefore Law No. 80 dealt with the situation by freeing all the areas not actually being exploited by the companies, and restricting the companies' activity to the actually exploited regions.

These areas contained huge oil reserves, in various strata, which had the companies adopted a sound investment policy for the development of each stratum, would have been duly developed. However the companies restricted their production to the main strata, and declined to make the necessary investments for the development of other strata; they also declined to make the necessary investments for the expansion of transport and export facilities; thus rendering the underdevelopment of such facilities a dire handicap to raising oil production from Kirkuk, Mosul and Basrah oil fields.

A general review of the companies' investments in Iraq during the last ten years illustrates the meagre effort they have undertaken since the promulgation of Law No. 80 of 1961, and the serious consequence of such meagre investments. Although the companies' investments during the fifties and early sixties were lower than they should have been, they, nevertheless, still reduced the already low investments.

In 1960 for instance, the companies investments in the purchase of machinery, equipments, buildings, transportation facilities, amounted to about ID. 23 million; in 1961 about the same amount was invested, but in 1962, i.e., following the promulgation of Law No. 80, the companies' investments dropped to less than ID. 5 million, and the downward trend continued throughout the subsequent years until it reached ID. 656 thousand in 1968 and ID. 500,000 in 1961.

This sharp reduction of course, reflects sharp increase in the companies' profits, which amounted to about one hundred times the value of their investments.

From the Iraqi viewpoint the low level of the companies investments cau-

sed Iraq considerable losses and seriously affected its oil fields and oil resources.

For example, had the companies expanded the capacity of the pipelines through which oil is pumped from the northern oil fields, by ten per cent, production from the said oil fields would have increased by 10 per cent, or about 5 million tons per annum. However, throughout the period under review, the companies declined to make the necessary investments, although it would have only involved the installation of additional pumping units to raise the pipeline capacity, i.e. the investments of about ID. 2 million.

Another example can be cited in respect to the oil of south. The short capacity of Khor El-Ammyiah terminal has restricted the tanker loading capacity which can anchor there to a maximum of 120,000 tons. It would have been possible, however, by the investment of about ID. 6.5 million, to expand the terminal so as to receive large tankers with a loading capacity of about 320,000 tons.

The failure of the companies to make such necessary investments resulted in curbing the possibility of raising oil pro-

duction from the southern fields, raising the cost of its transportation and consequently causing Iraq a loss of more than the investments required for the port expansion.

Throughout the years under review, the companies' conduct constituted a flagrant violation of the simplest economic principles, and represented a total negligence of Iraq's rights and legitimate interests.

3. PARTICIPATION IN COMPANIES' CONCESSIONS:

San Remo Agreement of 1920, concluded between Britain and France, under which zones of influence were demarcated in the aftermath of World War I, admitted the right of the local government or its subjects to possess 20 per cent of the joint stock of any company to be established for the exploitation of oil in the area.

The local government of Iraq was bound to abide by the provisions of San Remo Agreement; it enquired if the participation right was still valid, and the British authorities replied in the affirmative. However, the 1925 agreement on oil

concessions, and all other supplementary agreements, brought about ambiguous formulas regarding the participation right. Article 34 of I.P.C. concession stipulated:

“Any new stock issue offered for public subscription shall provide for opening portfolio subscription in Iraq at the same time as it is opened everywhere else, with the Iraqis residing in Iraq enjoying priority to subscribe to a minimum of 20 per cent of such issue”.

The companies committed another arbitrary infringement of their right to offer shares for public subscriptions, for they adopted such articles of association as would deny Iraq — government and people — the right to participation under San Remo agreement.

Although Iraq's right to participation was crystal clear, the monopolist companies persistently adopted a stubborn and reckless attitude towards the rights of the host country, as a result of which Iraq was denied a large number of rights and gains, with the weakness of successive governments being an ancillary factor, hence:

1. Iraq was denied the right to participation in drawing up the investment,

production and marketing plans of the companies, thus providing the latter with an exclusive opportunity to have a free hand in determining the economic destiny of the country, hence their arbitrary reduction of oil production from the north without commercial justification.

2. Iraq was denied the right to enter the oil markets and set up its own investment system in various stages of the oil industry e.g., transportation, refining and marketing of oil and products. This has resulted in such a situation as to dedicate the companies' monopoly of oil markets.
3. Iraq was denied the right to utilization of various administrative and technical experiences related to various aspects of the oil industry; this has practically resulted in the intensive domination of the companies on the oil industry in Iraq.
4. Iraq would have secured a 20 per cent share of the monopolist companies profits out of its usurped resources, had it not been for the companies' discrimination.

In fact, had the companies had any far sighted policy, they would have won the Iraqi party to their side, against certain advantages, so as to avoid a violent reaction. However, the monopolist companies have always displayed a short sighted approach by embarking on a gluttonous plunder and adopting what is known as "the burnt land" policy.

A review of the developments in the oil industry, especially since 1961, reveals the fact that most new concessions involved participations sometimes exceeding 50 per cent; this fact induced OPEC to adopt the demand of participation in the light of the emerging new conditions.

OPEC demanded the traditional concessions holding companies to grant producing countries a share in the concessions. Iraq, an OPEC member, was righteous to implement the Sam Remo provision and revive the paralysed concession terms on the one hand, and to benefit from the OPEC participation demand on the other. However, the companies proceeded with their intensive efforts to foil any such legitimate measures.

5. PRICING SOUTHERN OIL:

The oil monopolist companies have

always adopted an arbitrary price policy; they practically changed over from a detrimental price standard to one more detrimental still, with no clear economic logic justifying such variation. From the economic point of view, prices should be bound to one of two considerations:

- A. Price levels of the products in the consumer markets.
- B. Prices of alternative materials e.g. coal.

The producing countries try to control price levels on the one hand and the relationship between prices of various oils in any single region on the other. These producing countries were relatively successful in stopping the downward trend of prices since the foundation of OPEC; they have also achieved partial success in the conclusion of the Teheran and other subsequent agreements on prices.

The oil companies operating in Iraq have had a record in price manipulation; for instance, the posted price of Jambour-Bai-Hassan mixed oil exported from the north, was ten cents lower than the actual prices of identical oils. To justify this, the companies resorted to several flimsy excuses, to maintain the difference which was ultimately, eliminated under the East

Mediterranean agreement which adjusted the north oil prices and brought about the **settlement of outstanding issues** delated to price differences.

As for the oil exported from the South, **Iraq's claims on the companies** are still outstanding. The story of these arrears can be cited in the following facts:

In 1952 prices of Arab Gulf Oil were equal, especially in respect to the Iraqi oil exported via Fao terminal and Saudi Oil via Ras Tanoura terminal.

In 1953 the prices of other oils in the area rose to 5 cents, with the Fao oil price kept unchanged.

The difference between Fao and Ras Tanoura oil prices ranged from 10 to 12 cents per barrel.

In 1962 oil exportation started from Khor El-Ammyiah terminal instead of Fao, and the companies' trick became obvious when the French Oil Company posted a price of 178 cent per barrel while the U.S. and British companies posted a price of 172 cents per barrel.

OPEC resolution No. 120 provided that various oils should be sold at identical prices, with due consideration to the differences in gravity and distances.

Upon calculating the Arab Gulf prices during Teheran negotiations, the injustice sustained by the Iraqi southern oil price was reflected in the difference of 6 cents per barrel. The companies were forced to adjust the south oil price and remove the injustice, under Teheran agreement. However, they tried to avoid the consequences of the price adjustment under the pretext that Iraq charged high port dues. Against the Iraqi delegation's threat to walk out of the negotiations, the companies accepted the new system, but declined to pay the arrears emanating from previous injustice, viz :

Assuming price discrepancy at five cents per barrel, arrears until the price adjustment under Teheran agreement amounted to ID. 14.7 million. But, assuming discrepancy at six cents per barrel the arrears for the said period would amount to ID. 15.7 million.

For long years the companies resorted to procrastination in respect to the pricing of crude oil; even after they had admitted the solid facts, they declined to pay the arrears emanating from the same consideration.

6. TRANSFER OF COMPANIES HEAD- QUARTERS TO BAGHDAD:

The companies' administration and planning of oil production and investment operations are run by the London Headquarters. This implies that the operating companies' offices in Baghdad, Kirkuk and Basrah are but executive bureaux in the first place.

Article 32 of IPC agreement of 1925 stipulated that:

"The company shall be a British Company registered in Great Britain and shall remain so with its main headquarters situated within his British Majesty's Dominion and its Board Chairman a British subject etc".

In 1953, Iraq demanded that the companies headquarters be transferred to Baghdad, notably as the Arab-American Company (ARAMCO) had agreed in principle to move its headquarters to Saudi Arabia. However the companies resorted to protraction.

Iraq is currently represented by two members at the companies board in London; these two members enjoy no other privilege than attending certain formal

meetings to exchange courtesy toasts and review certain reports. The real power is in the hands of the Executive Directors and Representatives of the big monopolist concession holding companies.

In the world of oil significant developments took place; the producing countries are no more tantamount to small farms possessed by the capitalist monopolists.

In 1951 Mussadaq nationalized the British oil companies, thus leaving the imprints of nationalization until the present time.

In the early sixties, OPEC was established to highlight the viewpoints of the oil producing countries.

Several years ago Venezuela controlled nearly all administrative and financial aspects of the oil companies' activities.

Indonesia controlled the major activities of the oil companies.

Algeria controlled more than 50 per cent of the concessions and took over all administrative affairs.

Libya controlled a number of oil companies and nationalized BPC share.

All new concessions provided for the positive participation of the producing countries.

Moreover, the concession formula itself has become absolute and unacceptable. Law No. 97 of 1967 provided that:

"All the areas recovered by Law No. 80 should not be subject to concession or concession like arrangement".

However the monopolist companies, sticking to their worn-out mentality, insisted to proceed with their plunderous activities.

7. FINANCIAL CONTROL OVER FOREIGN OIL COMPANIES IN IRAQ:

Under the old agreement, supervision over the expenditures of foreign oil companies operating in Iraq was of no distinct significance, because the government revenues represented a flat payment of four shillings, i.e., 200 fils, per ton of oil exported. Following the conclusion of February 3, 1952 agreement, the government revenues changed from a flat payment per ton to an amount equivalent to 50 per cent of profits, i.e. half the difference between price and cost. Therefore, if the cost was ID. 1 per ton and price ID. 10, the government share would accordingly be ID. 4.5. If the cost rose to ID. 2, the government

share would accordingly drop to ID. 4. This shows that the government share became vulnerable to cost fluctuation, which necessitated the government's supervision over the latter. The traditional concession agreements and the 1953 agreement, denied the government the right to supervision over the companies' expenditures, in an accurate and direct manner, while concessions related to other Middle Eastern countries provided the governments, in one way or another, with the rights to financial supervision over the companies expenditures.

The supervision clause provided for in the said agreements involved:

- A. The appointment of an auditor to act on behalf of the government on auditing the companies account and submit a report to the government in that connection.
- B. The appointment of a commission comprising two or three auditing bureaux, one of which should be appointed by each of the two concession parties, and the third, if any, by a third party, to submit their respective reports to the concession parties.

- C. Providing the government representative with the right to perusal of the companies records with a view to check expenditures at any appropriate time.

The provision of the supervision right under the agreements is usually connected with binding the companies to hold integrated accounts in the country where they are operating.

The government's demand to enjoy the right of financial supervision, and the consequent prerequisite that the companies should hold integrated accounts in Iraq became an urgent necessity, in view of the conviction that certain cost components could be eliminated. The government objected to the companies accounts, and the dispute was taken to arbitration. Chartered accountants were appointed to consider the cost elements, and their report turned out to show that certain components could actually be eliminated. In 1970 agreement was reached on the production costs covering the period 1955-1970, as a result of which the government was entitled to a claim of more than £ 9 million.

As the government accorded 50 per cent of the companies' expenditures, and

has now had to accord 55 per cent as a result of raising the government's share of profits to 55 per cent; it must necessarily have a say in the companies' expenditures. Therefore the government's demands were concentrated on:

- A. Keeping full accounts in Iraq together with necessary documents.
- B. Providing government representatives with the right to peruse the companies' records and accounts during each year, and the companies should submit all necessary data in compliance with any query by the government.

Iraq Petroleum Company believed that the adoption of the course of pressures would provide it with the conditions for attaining certain concessions by means of which Law No. 80 would be stripped of its essence, hence the realization of its long-sought objective to eliminate any possibility of having the law enforced.

The numerous misleading statements made by Stockwell can be detected in the negotiations (the text of which was published in full, against the companies' desire, for making texts of their negotiations public have always annoyed

the companies' policy makers who strongly condemned the publication of negotiation deliberations after July 14 revolution on the grounds that such a measure would acquaint the masses with the conduct of the oil companies; it would also bring about a full scale consciousness in the ranks of the people of matters related to their oil resources and ultimately confirm the people's unity).

Stockwell's misleading statements ranged from admitting a certain fact and denying it at the same time; this paradoxical attitude made the Iraqi chief delegate reply:

"The companies' replies remind me of a story whereby a shopkeeper had a dispute with a customer on certain commodity purchased by the latter, for which he had paid nothing. They went to the court where the judge asked the buyer: 'did you buy a sack of rice?' to which the buyer replied no, and the judge asked 'Did you buy a match box? the buyer answered yes',³⁸

In fact, the general policies of the oil companies operating in Iraq were characterized by the following:

(38) Oil negotiations, full text, supplement to "Economic Review, No. 17, May 1972. pp. 174-175.

- A. After the promulgation of Law No. 80 annual rate of production increase fell from 11.1 per cent (prior to the law) to 4.7 per cent (after the law).

Although production rates usually tended to register annual increases at various rates exceeding 10 per cent per annum, the situation in Iraq reflected a reverse trend, as the annual rate of increase stagnated at 4.7 per cent. This in fact, caused Iraq a considerable material loss estimated at ID. 450 million.

Against the companies' fabrications and misrepresentations, a solid fact should be pointed out that the said reduction only aimed at causing Iraq material losses, for evidences refuted all the claims put forth by the companies in that connection, notably as:

- 1 — Professor Adelman's statistics³⁹ disclosed that IPC spent four cents to produce one barrel of Iraqi oil (FOB tanker); this represented a low production cost of Iraqi oil.
- 2 — Average price of Iraqi oil is 172 cents per barrel, i.e., the companies realized a profit of 74 cents per barrel.

(39) Professor at M.I.T. U.S.A.

- 3 — Kirkuk oil fields are considered among the largest and richest oil fields in the world as it produces 49 million tons per annum, out of total Iraqi production of 62 million.⁴⁰
 - 4 — The Arab oil wells are considered self-producing, i.e., they save a lot of effort and funds, as they produce an average of 13 thousand b/d, highest in the world except for several Iranian wells.
 - 5 — The companies' measure to raise production rates in certain other areas at the expense of Iraq was primarily meant to make up for the deliberate reduction of Iraqi output.
 - 6 — Iraqi oil is of exquisite quality, with a gravity ranging from 31-36 API, with sulphur content at 1.93 per cent: jambour oil's gravity is 42 API.
- B. The companies declined from drawing up a clear-cut scientific production policy; on the contrary, they always try to avoid commitment in that respect, with a view to confusing the economic situation in Iraq by means of

(40) Al Salam, Abdul Wahab, **Question of Iraq Petroleum**, Arab Katib Publishing House, Cairo, 1967 p. 44.

precluding any sound forecasting of its prospective revenues, investments and expenditures on the development and investment programme.

C. The companies made the payment of royalty expensing arrears conditional by certain terms, elaborated by the Ministry of Oil and Minerals and exposed during Economic seminars, viz:

1. The compulsory arbitration clause sought by the companies implied an attempt to undermine Law No. 80 and any other legislation to be adopted by the people, Arbitration specifically meant an encroachment on the sovereignty and independence of Iraq and a steady attempt on the part of the companies to dedicate the lopsided agreements of 1925 and 1941 which considered the English version as the only valid legal text, and immuned the companies against the sanctions of Iraqi legislature.

Such attempts made the Iraqi chief negotiator say.

"I have a feeling that negotiations are being conducted between a state and a company, rather than two identical co-

mpanies; there must be a definite understanding of the sovereignty of the state and its free option. I consider the companies' insistence as a source of injustice to us".⁴¹

Such conditions as compulsory arbitration clause, most-favoured-party treatment and claim-curbing condition were in the very core of the companies' policies vis-a-vis Iraq, significantly comparing to the description of Dimetri Volski, "Iraq Petroleum Company in a state, or perhaps a fortress, in a foreign country".⁴²

- D. The arrears due on the companies to Iraq, emanating from royalty expenditure, compound rate of interest (at ID. 98,779,537) were used as a means for protraction and procrastination on the part of the companies throughout the negotiations. The companies pointed out that they would only pay if Law No. 80 was undermined, whereas the law represented the fruit of the Iraqi people's struggle, and a natural retaliation to confirm Iraq's

(41) Supplement to Economic Review, p. 98.

(42) Khor Al-Ammyah Terminal could be expanded to receive 320,000 — load tankers after investment of ID. 6.5 million.

sovereignty against the companies' obstinacy, arbitrary reduction of production rates, manipulation of prices, failure to develop proven areas, negligence of such vital conditions as embarking on new prospecting operations and reluctance to make any further financial investments.

- E. The companies persistently overlooked Iraq's right to participation in their capital, and IPC meant to totally eliminate such possibility, thus denying Iraq any right to participation in the means of establishing refineries and training national technicians and experts.
- F. Despite the increasing demand for high-quality oils, including the Iraqi oil, and the easy access of Iraqi southern oil of export terminals, the companies avoided any measure to adjust oil prices, on the grounds that Iraq imposed high port dues.

Total value of Iraq's loss, as estimated under Teheran Agreement, up to the price adjustment date, amounted to ID. 14.7 million, based on the assumption that the loss was 5 cents per barrel. The amo-

unt would rise to ID. 15.7 million, on the assumption that the loss was 6 cents per barrel, all of which was not paid to Iraq."

G. The companies records were kept secret, and throughout the years of their operation, Iraq took no notice of their contents. Naturally, the reasons behind the companies' insistence not to move their headquarters to Baghdad or permit the host government to take note of their accounts, were self-explaining if considered against the background of Iraq's legitimate demands.

H. The insistence by the companies that Iraq sold them the oil produced by INOC (to the limit of one billion tons during 20 years at a reduced price of 163 cents per barrel) implied a bid on the part of the companies to secure a new concession through which they would make up for the shortage caused by Iraq's achievement on April 7 1972, when oil struck at Rumaila oil-field through the national exploitation of oil under Law No. 80. No doubt the companies' intention behind this "generous" offer was to prevent

the Iraqi producers from directly contacting the consumer, and keep pace with the price policies they had adopted in Europe and elsewhere.

1. The companies claim for compensation for the so-called losses sustained by them as a result of the implementation of Law No. 80, put at 12.5 per cent of INOC production, is expressive of the companies conduct in denying the state the right to promulgate legislations to safeguard the country's interests. This ridiculous claim of the companies is also representative of a persistent attempt to undermine Law No. 80.

The companies delegation tried, during the negotiations to relieve itself from the obligation of paying the arrears to Iraq on the one hand, and attempted to make counter claims on the allegations that the companies had sustained losses on the other.

However the three proposals made by the Iraqi negotiating party practically confronted the companies with solid facts, hence the foiling of their fabrication and manoeuvring:

1. If the companies desired to restrict their output to 30 million tons, then the volume of 57 million tons demanded by the government could well be produced, with the Iraqi government undertaking the obligation of disposing with the excess at the same rates of cost and transportation.
2. If the companies felt they could export more than 30 million tons, then this would imply that the capacity of northern oilfields would almost reach the point of utilizing the idle pipeline capacity, which might well be surrendered by the companies to Iraq to utilize it at its option.
3. If, as the companies claim, production was not profitable, and that the oil of the south was more profitable, the companies may well surrender the northern oilfields, and make up for the shortage by raising oil production from the south.

Against all these logical approaches, the companies insisted not to abide by the people's desire to recover their rights; this abnormal state of affairs was decisively dealt with on June 1, 1972, by the nationalization of IPC operations. The people

have decided to settle the question, once and for all, in their favour; they expressed their full preparedness to sacrifice everything else for the sake of rendering the nationalization experience successful. A high standard self-confidence, self-reliance and self-determination was reflected. The people of Iraq also enjoyed the support and solidarity of all the nations, including the consumers who had suffered a great deal from the malversation of the companies' mediation, which involved price manipulation against the vital interests of the producers and consumers alike.

The achievement of June 1, 1972, embodied in the great nationalization measure, did not only represent a triumph for Iraq but a victory for all oil producing countries; it was the triumph of all nations, for it constituted the fruit of long and bitter struggle against plunder and exploitation. Despite the clamorous protests and groundless claims of the companies to isolate the nationalization achievement from the support of the peoples, a world-wide solidarity was expressed in every corner of the universe. Baghdad played host to a series of solidarity con-

ferences, beginning with the Conference For Solidarity with the people of Iraq against IPC conspiracies and pressures, held on August 17, 1972. The Oil Seminar of November 11, 1972 etc. Experts and technicians stressed the significance of liberating Iraq's oil resources from the exploitation and covets of oil companies.

The oil companies tried to frighten the consumers by circulating rumours that regular supplies of oil could only be secured by the full control of the cartel on the production and marketing of oil. These allegations were categorically refuted, however, by the fact that peoples of the world maintained common interests in establishing direct trade relations without the companies' mediation. In fact, such suspicious mediation only served as a means of exploitation against the common interests of producers and consumers; price manipulation usually resulted in reducing producers' income and increasing consumers' expenditures, but secured higher profits for the cartel which controlled such vital facilities as required by the whole process.

The smashing of monopolist control has always been the common objective of

producing nations who possessed the key to those huge resources, and the great nationalization achievements of June 1, 1972 in Iraq constituted the first gap in the fortress of monopolist domination, heralding the collapse and downfall of the oil empire, leaving other nations with the obligation of pulling down all remaining fortresses.

Under the emerging conditions, national liberation forces are gathering momentum and growing more formidable; the forces of progress and socialism in the world are becoming too powerful to retreat before the imperialist pressure, and the aging capitalism has been on the ebb against the ever-growing political progressive consciousness, notably in the ranks of youth, students and workers who constitute the great pressing power in various developments in the world. All these vital elements have expressed their full determination to back up people's struggle for liberty and prosperity against the vicious exploitation of the oil cartel.

They have all expressed resolute support to Iraq and paid tribute to its persistence against the companies' pressures and intrigues.

A P P E N D I X

Text of The Address of President Ahmed Hassan Al-Bakr

Statement of the I.P.C. Nationalization

The struggle mounted by nations and peoples who experienced and are still experiencing the imperialistic coercion is a continuing struggle that ends only with the elimination of the basic pillars and vital interests on which the imperialistic presence rests. For a long time, world imperialism has been directing against the Arab nation and the Arab homeland the fire of oppression, exploitation and division and working to undermine the Arab nation's morale in a manner guaranteeing the subjugation of this glorious nation and the perpetuation of the imperialist material interest at its expense and that of its future. Since World War I British imperialism has played a leading and distinctive role in hatching intrigues and cooking up treaties and agreements with a view to dividing the Arab homeland and handing Palestine over to the Zionists and imposing the most ruthless and unjust terms for despoiling Arab rights and obstructing the possibilities of national liberation and independence through the

mobilization of the Arab nation masses.

British imperialism was sub-ordinated by neo-colonialism as represented by the U.S. imperialist system which has assumed a hostile attitude against such vital Arab issue as unity and independence.

It is an established fact that the essence of imperialist policy as pursued against the Arab people, is based on such material interests that seek to dominate and control the riches and resources of the Arab homeland, notably oil and mineral resources, with the purpose of converting them into basic revenues to be utilized in fostering imperialist interests and monopolist ventures; the imperialist policy has thus basically followed the lines of covetous plunder and aggressive exploitation, in line with the traditional strategy of dedicating the disruption of Arab homeland to foster foreign interests.

One of the main reasons d'être of the July 17 Revolution, planned and lead by the Arab Baath Socialist Party was to retaliate to the catastrophe of June 5, 1967. Right from the beginning, the revolution defined the broadlines of its procession along the road of liberation, national and

nationalist struggle, and resolved to embark upon a resolute realization of the will of the masses. Responding to those contents, the revolution covered substantial grounds in a relatively brief period, in the way of backing up national independence, liberation and achievement of full opportunities for the masses to attain their material rights and guarantee appropriate conditions to undertake their basic role in national and nationalist struggle.

Along-side the material transformation achieved in the interest of the masses, democratic revolutionary and nationalist transformation have asserted themselves through the revolutionary endeavour to bring about such positive conditions as would guarantee the rights of our Kurdish masses, the cultural rights of other national minorities the issuance of the **National Charter** and the adoption of all other steps that have constituted a practical programme for progressive national unity and national exploitation of oil and other mineral resources. Unitary steps conforming with the nature of the current phase of Iraq's development have also been taken. Further, the

steps taken by the revolution to develop relations with the socialist countries and conclude friendship and cooperation treaty with the Soviet Union, have transformed July 17 revolution to a new level in the international relations.

Those steps and measures instituted by the revolution **could not be tolerated by** imperialism, Zionism and their agents. Therefore the imperialist forces have been endeavouring to hinder Iraq's revolutionary development. However, the intensive conspiracies of world imperialism against the revolution have escalated the revolution's determination to press forward through such decisive measures as would be conducive to the realization of public interests and elimination of colonial interests. The fight has been stepped up against imperialism and Zionism, towards the fulfilment of national unity, to serve as a basic element in the achievement of pan Arab unity. This has prompted the revolution to mobilize its force to strike imperialist interests in the heart.

Masses of our people: You are undoubtedly aware of the fact that the oil companies have constituted a dangerous instrument which embody imperialist lo-

gic of plunder, monopolist exploitation and impoverishment of the masses. The oil companies have always been the symbol of imperialist hegemony. In the meantime it has become obvious that any national liberation movement will remain incomplete without achieving the prerequisites of national sovereignty over the homeland and suzerainty over national resources. Against this, the companies had intensified their endeavour to perpetuate their grip and foster their interests, thus falling into a head-on collision with the interests of our masses. The companies thus developed such a position as would best be termed as a state within the state. From their experience and record of militant struggle, the masses found out that a decisive end should be put to the plunderous policies of the oil monopolist companies, as the only way to achieve national sovereignty and economic independence, a prerequisite of political independence. Accordingly national liberation has manifested itself in the basic formula of resisting the oil companies' covets and liberating oil and mineral resources to reinforce Iraq's full suzerainty over its national resources.

Proceeding from this stand-point, the revolution, with the resolute and decisive backing of the masses, resolved to settle its accounts with the oil companies which attempted to outflank Law No. 80 and exercise pressure against the just demands of the revolution.

As the revolution adopted practical steps to wrest Iraq's national rights to oil resources, the oil companies embarked upon an imperialist action represented in reducing oil production to unprecedented levels, both in Iraq and elsewhere. Thus the oil companies hoped to drive Iraq into an economic and financial hard-up, thinking such pressure would force the revolution to back down. However, the pressures and maneouvers to which the oil companies resorted against the revolutionary rationale in cementing national sovereignty and preserving Iraq's interests, could not deviate the revolutionary determination to keep up the battle of liberation against the oil companies and adopt stronger and more decisive measures.

On May 17, the government addressed an ultimatum to the oil companies that the revolution was determined to secure Iraq's oil rights without any conditions.

The monopolist companies have failed to comply with a new offer responding to our interests, thus revealing their disregard to the rights of the people and overlooking Iraq's just demands as specified in the ultimatum. Accordingly the revolutionary Command Council has decreed, in the name of the people, to promulgate Law No. 69 for the nationalization of IPC operations. The law is effective as from the date of its promulgation on June 1, 1972.

Masses of our great people: The battle we are waging against the oil companies ranks among the major battles of history. This is because it marks the line of transition to a new stage where our masses, with their national progressive forces, are put to the test to judge their stamina and endurance. You should prove to the world that you are the people who refuse submission and humiliation and that you have been intensifying your struggle regardless of pressure. You have mounted battles that dealt to world imperialism the toughest lessons; you are the people of July, the people who defied the defeat of June 5, the people who shouted at the oil companies to drop our oil, the people who have fought for dignity,

progress and democracy — the aspirations for a free and dignified life.

Great people of Iraq: We are now proving to world imperialism and to the oil companies that the will of the revolution and masses is stronger than their intrigues and anticipations. We, who have refused submission to imperialism and waged decisive battles against it are capable of defining the slogans of our future development to be put into direct implementation to embody our determination to sacrifice a portion for the attainment of the whole, sacrifice outward ostentations and luxury for the sake of endurance. Our firm slogan is that of vigilance, caution and solidarity to face the intrigues of imperialism and secure victory. This is the consistent slogan which we raise and which our people have transformed into a towering fact.

This historic battle does not belong to a specific political group; it rather belongs to all national parties and forces in this homeland; to all professional and mass organisations; to all the people. It is not the battle of one specific social class but of the whole people and subject to nation-wide participation; it is the battle

of the people and of the homeland; the battle of the glorious Arab nation for liberation from monopolies, imperialism and Zionism.

Our revolution, in waging a decisive battle against the oil monopolies, assumes a forward combat position in the fight against imperialism and monopolies, to realize the national and nationalist obligation of honour. In waging this battle, the revolution starts from the nature of conflict between the people and imperialism, armed with the determination of the masses and the support of friendly forces of the world. Our national battle has taken up positions in the front line, both in the defensive and offensive contexts of Arab revolution in particular and international revolution in general. This makes us enjoy the broadest support to the heroic struggle our people have been leading. This will undoubtedly bring imperialism and its monopolist companies down to their knees, and eliminate the sources of constant threat to our interests.

We are being inspired by the will of our people and by the prudence of our

principles, to sacrifice and steadfast against all hardship and pressure, to attain our objectives and realize our rights to liberty, dignity and progress. The people are the source of our power and resolute determination; we derive inspiration from the will of the martyrs of our nation who passed away under the treacherous bullets of imperialism and Zionism, in Iraq, Sinai, Golan, Jerusalem and everywhere all over our homeland.

We receive our support from the people and give the word of loyalty to the Arab nation to contribute positively to the realization of its mission to liberty, progress and unity. We shall be in the forefront in all future battles, equipped with the spirit that knows no bargaining or vascillation. We will defend our sovereignty, honour and right to live. We will fight with all available weapons against oppression, exploitation and persecution everywhere in the Arab good land, keeping up the progress towards the attainment of our pledge and achievement of the Arab nation's goals of unity, Liberty and socialism.

LAW NO. 69 FOR THE NATIONALIZATION OF IPC OPERATIONS.

In the name of the people.

The Revolutionary Command Council has promulgated the following law:

Persuant to provisions of para. A Article 42 of the Interim Constitution the Revolutionary Command Council decided at the session held on June 1, 1972 to promulgate the following law:

Article 1. The operations of Iraq Petroleum Company Ltd. shall hereby be nationalized in the areas defined under Law No. 80 of 1961. Title deeds of all assets and rights pertaining to the above operations shall revert to the state. These include in particular the exploitation, drilling and production installations of crude oil and gas, as well as processing, resevoir, pumping, transportation, refining, warehousing operations and main and field pipelines, and all other assets, including the com-

pany's office in Baghdad with all its installations and equipments.

Article 2: 1. Under this law a government company shall be established under the name of the Iraqi Oil Operations Company which shall be considered operative upon the law's enforcement, and to it shall revert all property, rights and assets which have reverted to the government under Article 1 hereof; the company shall be relieved of all previous obligations pertaining to the nationalized operations except within the limits of the rights, properties and assets which had reverted to the state.

2. Upon promulgation of this law eight persons shall be appointed by Republican ordinance to the positions of chairman and members of the board of the company mentioned in para. 1 above who shall enjoy all authority, powers and competence required for the continued ad-

ministration of oil operations and guaranteed proper progress of work.

3. Provisions incorporated in the appendix to this law shall apply to the company mentioned in para. 1 hereof, and such provisions shall be tantamount to law thereof.
4. Tax relationship between Ministry of Finance and the company established under this article shall be organised by law.

Article 3: The State shall arrange to pay to Iraq Petroleum Company Ltd. compensation for the assets reverted to the State under Article(1)hereof, e.g. properties, rights and assets, provided that out of such compensation shall be deducted necessary funds to settle taxes duties, wages and any other funds claimed or to be claimed by the government, as well as local debts related to the said instructions. Compensation, deduction etc. shall be determined by regulation.

Article 4: Under decision by the Board of Directors mentioned in Article 2 hereof, a committee or committees shall be set up to undertake inventory, delivery etc. of properties, assets and rights related to nationalized operations, and members of such committee or committees shall be elected from among those entrusted with the administration of nationalized operations and government officials or any of them as deemed necessary by the Board.

Article 5: By decision of the Minister of Oil and Minerals, any contract or commitment or generally all obligations and legal commitments etc. may be abrogated, as they might affect the properties reverting to the state under Article 1 hereof or render oil operations costly or more burdensome.

Article 6: Any contract, arrangement or measure carried out in violation of provisions hereof shall be absolutely null and void.

Article 7: Properties and rights pertaining to nationalized operations in Iraq Republic shall be impounded, and banks, institutions, organisations, companies and individuals shall be prohibited from disposing of such properties in any way or dispensing any amount or settling any claims or debts except by a decision of the Board as per Article 2 hereof.

Article 8: The Board of Directors of Iraqi Oil Operations Company shall keep in office the officials, employees and workers of IPC operations nationalized under this law, and none of them may leave or surrender office in any way and for any reason without the permission of the Board or its representatives.

Article 9: In exception of Article 8 foreign officials may have the option to continue in their office or leave their jobs.

Article 10: Without violation of the sanctions provided for in effective laws, any attempt related to

the company whose operations have been nationalized under the provisions of this law, to sabotage, destroy, damage, hide out nationalized properties or documents related thereto or with the purpose of hindering implementation of this law, may lead to a partial or total nullification of compensation provided for in Article 3 hereof:

Article 11: Sanctions shall be taken against anyone who:

1. Violates provisions of Article 7 hereof, to an imprisonment of a period not exceeding two years and a fine equivalent to three times the amount subject of violation.
2. Violates provisions of Article 8 hereof to imprisonment not exceeding two years and nullification of any right to claim bonus, pension or compensation.
3. Violates any provision of any other Article, by one or both sanctions.

Article 12: Regulations may be promulgated to facilitate implementation of this law.

Article 13: Minister of Oil and Minerals shall be empowered to take any arrangements or measures he deems necessary for the proper implementation of this law.

Article 14: Provisions and clauses contradicting this law shall be inapplicable.

Article 15: The Ministers are charged with the execution of this law.

Article 16: This law shall be published in the official Gazette and be effective as of June 1, 1972.

Written at Baghdad on this 18th day of Rabi'e Al-Thani month, 1392 Hejira calender, corresponding to 1st June, 1972.

Ahmed Hassan Al-Bakr
Chairman of
Revolutionary Command Council

Text of the Agreement Concluded between The Government of the Republic of Iraq and the Oil Companies.

“Pursuant to provisions of Para 8, Article 24 and Para D, Article 34 of the Interim Constitution and in accordance with the approval of the President of the Republic and proposal of the Chairman of Follow-up Committee on Oil Affairs and Implementation of Agreements, the Revolutionary Command Council decided, at its session on March 1, 1973, to promulgate Law No. 28 of 1973, for the ratification of the agreement between Iraq and the oil companies group:

Article 1. The agreement appended herewith and concluded between the government of the Republic of Iraq and the oil companies group, namely:

Iraq Petroleum Company Limited, Mosul Petroleum Company Limited, Basrah Petroleum Company Limited and other associated companies, on February 28, 1973, shall be ratified.

Article 2. The agreement ratified by this Law shall become effective as from

the date of its publication in the Official Gazette.

Article 3. This Law and agreement shall be published in the Official Gazette and executed by the ministers.

THE AGREEMENT

1. "The Government of Iraq on the one hand and Iraq Petroleum Company, Basrah Petroleum Company and Mosul Petroleum Company, together with shareholders and associated companies on the other, agree in accordance with laws and regulations effective in Iraq, notably Law No. 80 1961 ,amended by Law No. 24 of 1970, Law No. 125 of 1967 and amendments thereto, Law No. 97 of 1967, Law No. 229 of 1970 and Law No. 69 of 1972, that reciprocal commitments stated hereunder shall be in final settlements of all outstanding issues between the two parties and all the claims and arrears due on each of the two parties to the other.

2. "The companies shall pay a total sum of £141 million, which shall be accepted by the Iraqi government as a final settlement; of all her claims on the IPC and all Iraqi government as well as all

claims cumulative until the date of today on MPC and BPC to the Government of Iraq. The first installment of £ 30 million shall be paid within one week from the ratification of the general agreement.

3. "The remaining amount; due under Para 2 above, shall be paid in monthly installments payable on the last day of each month at time of oil shipment under Para 4 hereunder. Each installment shall be calculated on or before the last day of any month beginning with June 1973, provided that the ratio of total amount plus previously paid installments, including the installment initially paid under Article 2 above, to the sum of £ 141 million, be equal to the ratio of crude oil delivered at the end of such month under Article 2 hereunder, to the total quantity of 15 million tons. Each installment shall bear an annual compound interest of 7 per cent as from the date of ratification until the date of payment.

4. "The Government of Iraq shall undertake delivery or guarantee the delivery of 15 million tons of Kirkuk crude oil free of any charge, fee, tax, royalty or any other amounts of whatsoever nature changeable by the governments or

government authorities of Iraq, Syria and Lebanon, FOB East Mediterranean terminals, at an average of one million tons per month, beginning with 1st of March 1973 or at a faster rate if the Government so desired and the companies so agreed and the companies shall accept to receive the said quantities of 15 million tons as a final settlement of all IPC claims and all Government debts thereto, as well as all claims of MPC and BPC and all government debts thereto until the date hereof.

MPC ACCORD ABROGATED

5. "At the Government's request MPC agrees to abrogate the agreement related thereto on March 31, 1973. The Government of Iraq shall receive free of charge all assets and properties of MPC in Iraq, including the crude oil stored in the tanks or anywhere else, without any claims or dates being involved in the present or future.

6. "As the Government of Iraq has expressed desire to acquire title deeds of

fixed IPC properties, comprising the transit facilities and terminal in Lebanon, provided that the written approval of the Lebanese government be secured prior to December 31, 1973, IPC agrees to transfer the title deeds of its properties comprising the transit facilities in Lebanon to the Government of Iraq, provided that such transfer shall not cover the oil refinery, tanks, loading and unloading facilities appended therewith. Compensation for such property transfer shall fall within the quantity of 15 million tons to be supplied under Para 4 above.

The property transfer shall not involve acceptance by the Government of Iraq of any liability or obligation on behalf of IPC in Lebanon.

BPC TO BOOST PRODUCTION

7. "BPC undertakes to exert its utmost efforts to accelerate its expansion programmes so as to reach target capacities as specified hereunder, in accordance with sound production techniques and the Law for the Maintenance of Oil and Natural Hydrocarbonic Resources No. 229 of 1970:

1973 35 million tons.

1974 45 million tons.

1975 65 million tons.

1976 80 million tons.

"In line with effective laws and regulations, the Government of Iraq shall provide all reasonable facilities for the accomplishment of target capacities stated above.

LOANS TO COMPANIES

8. "The loans £30 million due to IPC MPC and BPC on the Government shall be repaid in the manner stipulatd for in competent loan agreements, at three annual installments payable on 1st July, 1976, 1st July 1977 and 1st July 1978, and the relative loan agreements shall be amended accordingly.

9. "Payments in lieu of tax stipulated in the agreement with BPC shall be increased as from January 1, 1973, to £ 200,000 per annum, and shall not be considered within border costs.

10. "This general agreement has been concluded in Baghdad on February 28th. 1973, and shall become effective as from the date of the publication of its ratification law in the Official Gazette".

**Text of the Agreement concluded between
Government of the Republic of Iraq and
Government of Syrian Arab Republic on
Transportation of Iraqi crude oil across
Syrian territories.**

Both governments of the Republic of Iraq and the Syrian Arab Republic, are in agreement for fixing the fees of transport of the Iraqi crude oil across the pipelines of the Syrian Company for Oil Transport and for regulating and defining obligations of the two sides, have agreed on the following:

Article 1

The fees of transport of the Iraqi crude oil across the pipelines owned by the Syrian Company for Oil Transport from the Iraqi Syrian borders to Banias Terminal shall be fixed at a gross amount of (Forty one cents) of US currency per barrel of crude oil.

Article 2

The fees of transport of the Iraqi crude oil transitted across Syrian Territories to the Lebanese boundaries shall be fixed at a gross amount of (thirty cents) of US currency per barrel of crude oil.

Article 3

The fee fixed by articles (1) and (2) above shall include all royalties, profits and costs of transport, operation, maintenance and replacement, costs of protection and all kinds of services, wages and duties relating to the transport and loading including the unified duties.

Article 4

Transport fees shall be calculated as follows:

- a. On the basis of quantity loaded at the terminal in relation to the oil exported via Banias.
- b. On the basis of quantity delivered at a refinery in relation to the oil handed over to the refineries, provided that provisions of Article (7) of this agreement be observed.

- c. On the basis of quantity transitted across the Syrian-Lebanese borders.

Article 5

- a. The Iraqi side shall pay the crude oil transport fees by a telegraphic remittance in US dollars in the bank which will be appointed by the Syrian side, or by any other method or currency the two sides deem fit.
- b. The due fees shall be paid on quarterly basis of a calender year. The amounts which are due in any quarter of a year shall be paid during the three months that follow that quarter in three installments. The first installment shall be due for payment on the ninth day of the month which follows the quarter's expiration date, the second installment on the ninth day of the second month which follows the quarter's expiration date, and the third installment on the ninth day of the third month which follows the quarter's expiration date.
- c. Final settlement of the fees payable during any calender year shall be carried out within a month after the expiration of that year. In the case of a

difference which may appear, this shall be paid during a period not later than the 9th day of February of the following year.

Article 6

The fees, sums and prices fixed by this agreement are subject to reconsideration whenever an official change, in the rate of US dollar as stabilized in gold at the International Monetary Fund on the date of enforcement of this agreement has taken place. These fees, sums and prices shall be recalculated in terms of gold so that to become equivalent to what they had been prior to the change.

Article 7

1. The Iraqi side undertakes:
 - a. to make available to the Syrian side the quantities of crude oil needed for local consumption in order to supply and operate Hams Refinery and other refineries which would be built in Syria in future, provided that sale price during the years of this agreement should be in US cents per barrel, as follows:

In 1972 (245) Two hundred forty five.

In 1973 (255) Two hundred fifty five.

In 1974 (265) Two hundred sixty five.

In 1975 (275) Two hundred seventy five.

and also provided that the transport fees fixed at (forty one) U.S. cents per barrel be deducted from each of these prices.

- b. to make available to the Syrian side, for fueling purposes, the quantities of crude oil needed in the pumping and loading operations at the same prices as indicated in paras (1.a) and (1.b) of this article.
- c. to supply the Syrian side, free of charge, with such quantities of natural gas it deems necessary, which should be consistent with the actual requirement of the existing installations used for the pumping of Iraqi crude oil and conformable to the increase in the pumping volume of these installations.

2. Costs of oils supplied under paras. (1.a) and (1.b) of this article shall be settled in the same manner as described in article (5) of this agreement or by clearing method.

Article 8

- a. In the case of occurrence in Iraq of a force majeure, leading to total interruption of oil production or pumping, the Iraqi side shall pay to the Syrian side a sum of money not exceeding 13 million of US dollars as an annual average for the period in which the effect of the force majeure has continued and on the basis of $1/365$ of the said amount per day.
- b. In the case of occurrence in Syria of a force majeure leading to the total interruption of oil pumping, the Iraqi side undertakes to offer the Syrian side an advance in the limit of the average provided for in abovementioned para (a) for the period between occurrence of the force majeure and vanishment of its effect, provided it should be deducted later on when the pumping returns to its previous averages.

Article 9

In the event of normal operational and loading conditions the Iraqi side is obligated to exert all possible efforts to render the loading ratio from Banias and Tripoli Terminals in the limit of 60 and 40 per cent respectively as an annual average.

Article 10

- a. In the event of normal operational and loading conditions the Iraqi side undertakes to export quantities of crude oil not less than 12 (Twelve) million long tons through Syrian installations and via Banias and Tripoli.
- b. Provisions of para (a) of this article shall not be applicable in the case of occurrence of the force majeure prescribed in paras (a) and (b) of article 8.

Article 11

- a. The Iraqi side is obligated to pay compensation for the damages caused by oil tankers to the Syrian terminal and its installations, in accordance with the rules applicable in similar terminals at the time of occurrence of the damage.

- b. The expenses of the officials and workers charged by the Iraqi side with the observation of pumping operations at the Syrian installations shall be paid by the Iraqi side.

Article 12

The Syrian side is bound:

- a. to guarantee and facilitate the right of transit, loading and shipment of Iraqi crude oil across Syrian territories and to ensure continuity of its flow and arrival to the terminals.
- b. To ensure that pumping and loading-on-tanker operations shall be run in accordance with the directions of the Iraqi side.
- c. To ensure pumping and arrival of the Iraqi crude oil transitted across the Syrian territories to the Lebanese borders.

Article 13

The Syrian side is bound, throughout the term of this agreement, not to disconnect or hamper the flow of the Iraqi crude oil across its territories nor to impose any augment or financial burden beyond the level provided for in this agreement

whether in respect of the Iraqi side or in respect of oil purchaser or recipient or in respect of the tanker undertaking the transport of the Iraqi oil.

Article 14

- a. To be regarded as part of this agreement the minutes signed between the Iraqi and Syrian sides on June 8, 1972.
- b. The technical matters in respect of which no provision has been made in this agreement nor in the minutes referred to in para (a) of this article shall be dealt with in a special accord to be reached to between the two sides which shall be regarded as an integral part of this agreement.

Article 15

- a. The concept of force majeure shall be confined to those incidents which the obliger was not responsible for their occurrence nor he was able to prevent their happening or avoid their consequences.
- b. With the observance of provisions of article (8), the force majeure does not exempt the obliger from implementa-

tion of his commitments laid down in this agreement, but they cease temporarily and this exemption shall be restricted only to those commitments which have been affected by the force majeure and for the period between its occurrence and vanishment of its effects.

Article 16

Any notification arising from this agreement shall be made in writing. Furthermore, it shall be considered as already communicated to the other party in the normal procedure if it were sent by telex, telegram or by a registered letter with acknowledgement of receipt on the address which the two sides agree upon.

Article 17

The term during which the Syrian and Iraqi sides are bound to use the installations of the Syrian State for the transport of the Iraqi crude oil to the Mediterranean sea shall be defined by (15 fifteen) years commencing from the date on which this accord has been signed.

Article 18

If, during the term of this agreement

or thereafter, the two parties fell into conflict or dispute in connection with interpretation or implementation of this agreement or in connection with other relevant aspect not provided for herein; for rights and commitments of either side; and that the two parties failed to agree on the possibility of solving it in an amiable manner, the dispute shall be submitted to two representatives, each side is to nominate one, and to a third arbitrator who shall be chosen by the first two arbitrators; prior to proceeding with the arbitration.

Each party shall arrange to nominate its arbitrator within 30 days upon receipt of a written request from the other party. Should the two arbitrators fail to elect a third one; the two parties shall nominate him by mutual accord, otherwise he shall be nominated by the Secretary General of the Arab League.

Decision of the two arbitrators or that of the third arbitrator in the event of their dissidence shall be considered final.

Article 19

a. With the observance of provisions of article (17) this agreement shall be in operation as from 1.6.1972 upto 31.12.1975.

- b. The accounting between the two parties for the period falling between 1.6.1972 and the date of enforcement of this agreement on the basis of the provisions made herein shall be carried out and the amounts due to either side be paid within 60 days commencing from the date of ratifying this agreement.

Article 20

This agreement shall come into force with effect from the date it is signed and shall be exempt from stamp duty.

Made in Damascus on January 18, 1973
in two original copies.

for the Government of the Republic of Iraq
Murtadha Saied Abdul Baqi

Member of Revolutionary Command
Council and Minister of Foreign Affairs
for the Government of

Syrian Arab Republic
Mohammed Hayder

Deputy Prime Minister
and Minister of Agriculture
and Agrarian Reform

**Text of the Agreement concluded between
Government of the Republic of Iraq and
Government of Lebanese Republic on
Transportation of Iraqi crude oil across
Lebanese territories.**

Both governments of the Republic of Iraq and of the Lebanese Republic, owing to their desire to reach an agreement for fixing the fees of transport of the Iraqi crude oil accross the pipelines of the I.P.C. Ltd. — hereinafter known as the company — and regulating and defining obligations of the two sides, have agreed on the following:

Article 1

Fees of transport of Iraqi crude oil across the Company's pipes from the Syrian borders to Tripoli Terminal and its loading shall be fixed at a gross amount of 11 (Eleven) cents of U.S. currency per barrel of crude oil.

Article 2

The fee fixed by the previous article shall include all royalties, profits and costs

of transport, operation, maintenance and replacement, costs of protection and all kinds of services, wages and duties relating to the transport and loading including the unified duties and any other flat payments.

Article 3

- a. The Iraqi side shall pay the crude oil transport fees by a telegraphic remittance in U.S. dollars in the bank which will be appointed by the Lebanese side, or by any other method or currency the two sides deem fit.
- b. The due fees shall be paid on quarterly basis of a calendar year. The amounts which fall due in any quarter of a year shall be paid during the three months that follow that quarter; in three installments. The first installment is due for payment on the ninth day of the month which follows the quarter's expiration date. The Second installment on the ninth day of the second month which follows the quarter's expiration date. The third installment on the ninth day of the third month which follows the quarter's expiration date.

- c. Final settlement of the fees payable during any calender year shall be carried out with a month after the expiration of that year. In the case of a difference which may appear this shall be paid within a period not later than the ninth day of February of the following year.

Article 4

The fees, sums and prices determined by this agreement are subject to re-consideration whenever an official change in the rate of U.S. dollar, as stabilized in gold at the International Monetary Fund on the date of enforcement of this agreement, has taken place. These fees, sums and prices shall be recalculated in terms of gold so that to become equivalent to what they had been prior to the change.

Article 5

- a. The Iraqi side undertakes to make available to the Lebanese government for local consumption a quantity of Kirkuk crude oil not exceeding 1.5 m (one and a half million) metric tons per annum, provided that sale price should be in U.S. cents per bar-

rel, as follows:

In 1973 (255) Two hundred fifty five.

In 1974 (265) Two hundred sixty five.

In 1975 (275) Two hundred seventy five.

with the proviso that the transport fees fixed at 11 (Eleven) U.S. cents per barrel should be deducted from each of these prices.

- b. Costs of oils supplied under para (a) of this article shall be settled in the same manner as described in article (3) of this agreement.

Article 6

- a. In the case of occurrence of a force majeure in Iraq leading to total interruption of oil production and pumping; the Iraqi side shall pay to the Lebanese side a sum of money not exceeding 3.5 m (three and a half million) of U.S. dollars as an annual average for the period in which the effect of the force majeure continues and on the basis of 1/365 off the said amount per day.
- b. In the case of occurrence of a force majeure in Syria leading to total interruption of oil pumping, the Iraqi

side undertakes to offer the Lebanese side an advance in the limit of the average stipulated in para (a) of this article for the period between occurrence of the force majeure and vanishment of its effects, provided that the loan should be deducted later on when the pumping returns to its previous averages.

- c. In the case of occurrence of a force majeure in Lebanon leading to total interruption of oil pumping, the Iraqi side undertakes to offer an advance to the Lebanese side in the limit of the average stipulated in para (a) of this article for the period between occurrence of the force majeure and vanishment of its effects, provided that it should be deducted later on when pumping returns to its previous averages.

Article 7

In the event of normal operational and loading conditions the Iraqi side is obligated to render the loading ratio from Banias and Tripoli Terminals in the limit of 60 and 40 per cent respectively as an annual average, provided this ratio should

be observed in the varying averages of pumping.

Article 8

- a. In the event of normal operational and loading conditions the Iraqi side undertakes to export quantities of crude oil not less than 4.8 m (Four million and 800 thousand) long tons through Company's installations via Tripoli.
- b. Provisions of para (a) of this Article shall not be applicable in the case of occurrence of the force majeure prescribed in paras (a), (b) and (c) of article (6) above.

Article 9

- a. The Iraqi side is obligated to pay compensation for the damages caused by the oil tankers to the Lebanese terminal and its facilities, in accordance with the rules applicable in similar terminals at the time of occurrence of the damage.

Article 10

Throughout the term of this agreement the Lebanese side guarantees to take all necessary measures to make the Iraqi

crude oil flow continuously across its territories in the Company's pipes and ensures its loading through the Company's installations in Tripoli.

Article 11

Throughout the term of this agreement the Lebanese side is obligated not to disconnect or hamper the flow and loading of the Iraqi crude oil across its territories nor to impose any augment or financial burden beyond the provisions of this agreement, whether in relation to the Iraqi side or in relation to oil purchaser or recipient or in relation to the tanker undertaking the transport of the Iraqi oil.

Article 12

To be regarded as an integral part of this agreement is the technical annex attached to it.

Article 13

- a. The concept of force majeure shall be confined to those incidents which the obliger has not been responsible for their occurrence nor he was able to

prevent their happening or avoid their consequences.

- b. With the observance of provisions of Article (6) the force majeure does not exempt the obligor from the implementation of his commitments stipulated in this agreement, but they cease temporarily. This exemption shall be restricted only to those commitments affected by the force majeure and for the period between its occurrence and vanishment of its effects.

Article 14

Any notification arising from this agreement shall be made in writing. Furthermore it shall be considered as already communicated to the other party if it were sent by telex, telegram or by a guaranteed letter with acknowledgement of receipt on the address which the two sides agree upon.

Article 15

The term within which the Iraqi and Lebanese sides are bound to use the Company's installations for the transport and loading of the Iraqi crude oil to the Medi-

terranean sea shall be defined by (15) fifteen years effective from the date of enforcement of this agreement.

Article 16

If, during the term of this agreement or thereafter, the two parties fell into conflict or dispute over interpretation or implementation of the terms of the agreement or in connection with other relevant aspect not provided for herein, for rights and commitments of either side, and that both parties failed to reach an agreement on the possibility of solving it in an amiable manner the dispute shall be submitted to two representatives; each side is to choose one, and to a third arbitrator who shall be chosen by the first two arbitrators prior to proceeding with arbitration.

Each party shall nominate its arbitrator within 30 days after receiving a written request from the other party. Should any of the two parties refuse to nominate its representative during that period the Secretary General of the Arab League may do so.

If the two arbitrators failed to agree on the election of a third arbitrator

within 30 days commencing from the date of the nomination of the last arbitrator the Secretary General of the Arab League may nominate him.

Decision of the two arbitrators or that of the third arbitrator in the event of their dissidence, shall be considered final.

Article 17

The fees stipulated in Article (1) and the prices and quantities stipulated in Article (5) of this agreement shall remain in operation as from the date they are put into force up to 31.12.1975, provided that both parties shall hold discussions within a reasonable period with view to reaching an agreement on the fixing of fees, prices and quantities which shall be applicable during the subsequent term or terms which the two sides deem suitable.

Article 18

- a. Each party shall take the necessary action to ratify this agreement.
- b. This agreement shall be implemented

by both parties within 15 (fifteen)
days as from the date of its signature.
Made in Beirut on 5.3.1973 in two
original copies.

for the Government of the Republic of Iraq
Revolutionary Command Council's
Dr. Fakhri Qadoori

Head of RCC's Economic Affairs Office
for the Government of the
Republic of Lebanon
Anwar El-Sabah
Minister of National Economy